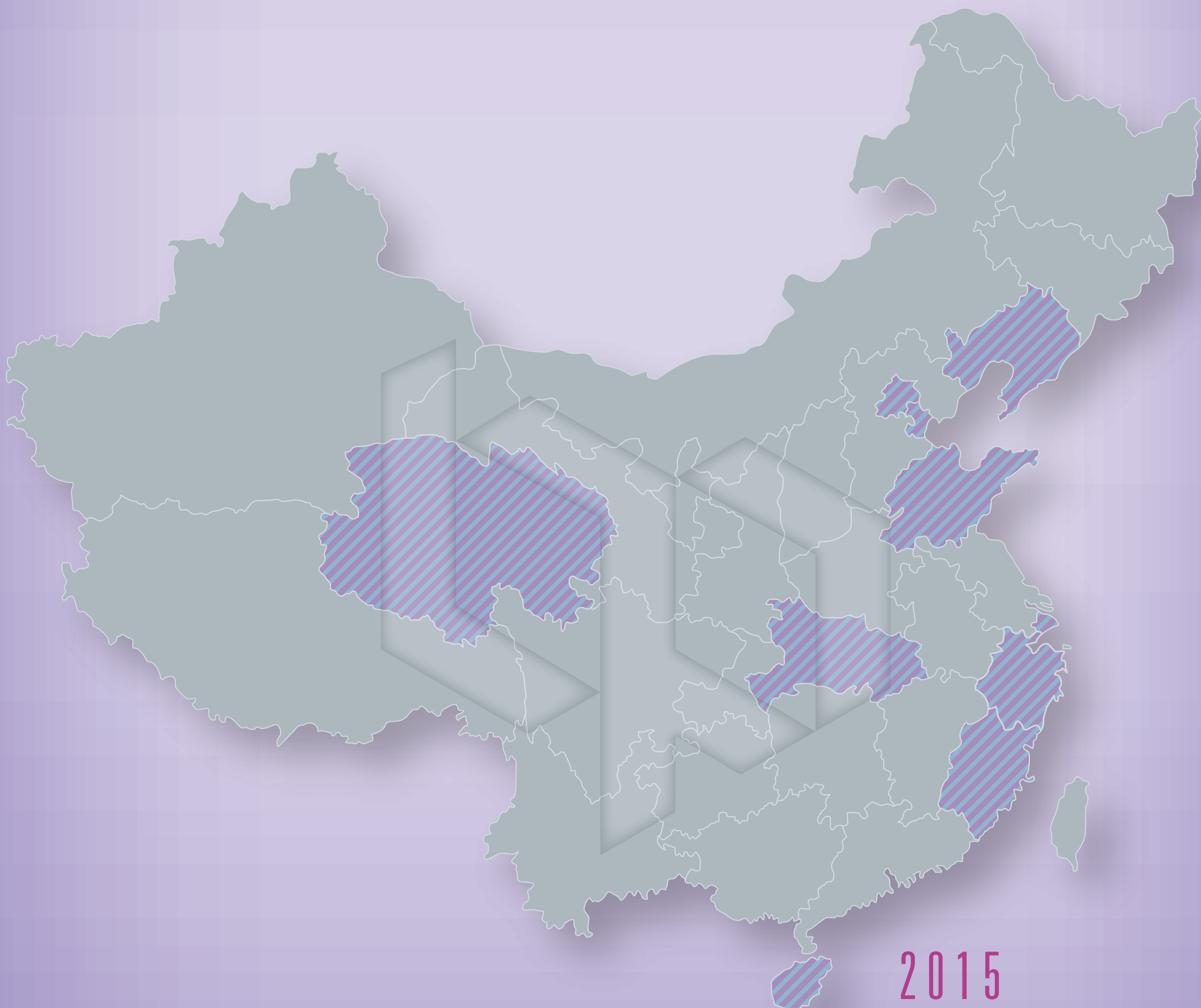
北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925



2015 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YU Li *(Vice Chairman)*
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. JIANG Xinhao
Mr. YU Luning
Mr. ANG Renyi
Mr. HU Yebi (appointed on 23 December 2015)
Mr. LIU Xueheng (resigned on 23 December 2015)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. Hu Yebi *(Chairman)* (appointed on 23 December 2015)
Mr. QIAN Xu
Mr. JIANG Xinhao
Mr. SIU Kin Wai
Mr. YU Luning
Mr. ZHU Wuxiang
Mr. ANG Renyi
Mr. LIU Xueheng (resigned on 23 December 2015)

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)*
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

COMPANY SECRETARY

Mr. SIU Kin Wai

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton, HM11,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUDITORS

Ernst & Young

WEBSITE

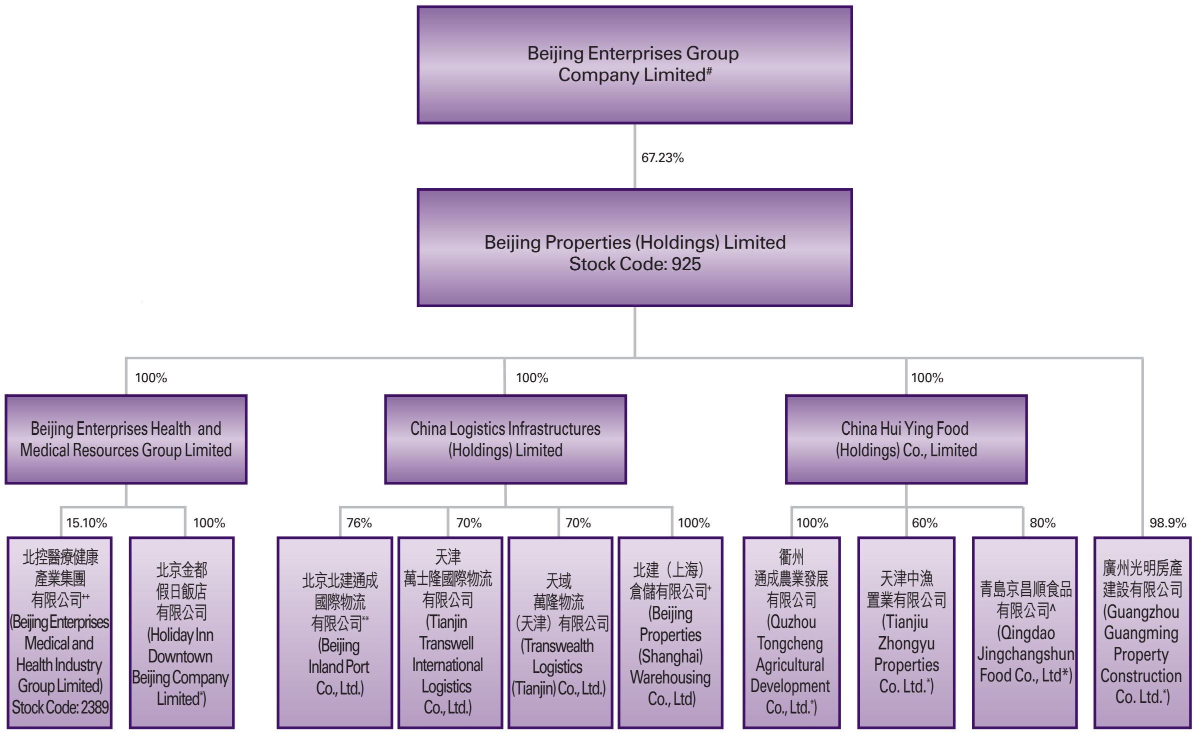
www.bphl.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Ltd
Shanghai Pudong Development Bank Co., Ltd
Bank of China Limited
China CITIC Bank International (China) Limited
Taipei Fubon Commercial Bank Co. Ltd
Industrial and Commercial Bank of China Limited

GROUP STRUCTURE

As at 24 March 2016



\# *Beijing Enterprises Group Company Limited indirect held 67.23% of the issued share capital of the Company through its wholly-owned subsidiaries*

* *for identification purpose only*

** *Joint Venture Company*

\+ *上海凡宜和倉儲有限公司 has been renamed to 北建(上海)倉儲有限公司 on 15 April 2015*

++ *Genvon Group Limited has been renamed to Beijing Enterprises Medical And Health Industry Group Limited on 29 July 2015*

^ *The acquisition transaction has been completed on 19 January 2016*

DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of twelve Directors, comprising seven executive Directors and five independent non-executive Directors.

EXECUTIVE DIRECTORS

MR. YU LI

Aged 52, vice chairman, Mr. Yu is the chairman and an executive director of the Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu joined the Group in January 2011.

MR. QIAN XU

Aged 52, chief executive officer, Mr. Qian is the general manager and an executive director of the BE Real Estate. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian was appointed as the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ on 20 April 2015. Mr. Qian joined the Group in July 2009.

MR. SIU KIN WAI

Aged 47, chief financial officer, chief operating officer and company secretary, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and also serves as the chief financial officer of Beijing Holdings Limited ("BHL"), which is an associate of the Company. Mr. Siu was appointed as the non-executive director of CAQ on 20 April 2015. Mr. Siu also serves as the independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

MR. JIANG XINHAO

Aged 51, is a vice general manager of the Beijing Enterprises Group Company Limited ("BE Group"), an executive director of BE Real Estate, an executive director and a vice president of Beijing Enterprises Holdings Limited ("BEHL") (SEHK stock code: 392) and an executive director of Beijing Enterprises Water Group Limited ("BE Water") (SEHK stock code: 371), BEHL and BE Water are respectively subsidiaries and associated companies of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a Bachelor's degree in Law, and then in 1992 with a Master's degree in Law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a manager of the investment development department of BHL, and the general manager of Beijing BHL Investment Center, a wholly owned subsidiary of BHL. He served as a policy analyst of the Chinese State Commission for Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang joined the Group in January 2011.

MR. YU LUNING

Aged 54, graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

DIRECTORS AND SENIOR MANAGEMENT

MR. ANG RENYI

Aged 30, holds a Bachelor's degree in Environmental Engineering from the Harvard University. Prior to joining our Board, Mr. Ang had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang joined the Group in December 2012.

MR. HU YEBI

Aged 52, Mr. Hu received his MBA from Netherlands International Institute for Management in the Netherlands and Postgraduate diploma in Management Engineering from Beijing Institute of Technology in Beijing, PRC. Mr. Hu has more than 25 years of experience in securities and financial services, merger and acquisition and corporate finance. He is the founder and chairman of Vision Finance Group Limited. Mr. Hu is a licensed person registered under the Securities and Futures Ordinance (the "SFO") to carry on regulated activities on Dealing in Securities and Advising on Corporate Finance. Mr. Hu also holds concurrent executive directorships with Hua Lien International (Holding) Company Limited (SEHK stock code: 969), Bestway International Holdings Limited (SEHK stock code: 718) and ASR Logistics Holdings Limited (SEHK stock code: 1803). Prior to that, Mr. Hu was the managing director, equity capital markets of DBS Asia Capital Ltd, a subsidiary of DBS Bank Limited (previously known as the Development Bank of Singapore Ltd.) from 1994 to 2002. Between 2002 to 2005, Mr. Hu was the founder and chairman of Partners Capital International Limited. From 2006 to present, Mr. Hu is the founder and chairman of Vision Finance Group Limited, the holding company of Vision Finance International Company Limited. Mr. Hu joined the Group in December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Aged 69. Mr. Goh has been appointed as an independent non-executive director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759). He was also an independent non-executive director of Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728) until 30 November 2014.

MR. ZHU WUXIANG

Aged 50. Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in Quantitative Economics and has obtained a Doctorate. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as an independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). Mr. Zhu joined the Group in January 2011.

MR. JAMES CHAN

Aged 62. Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan also is an executive director and the project director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432) and an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032). Mr. Chan joined the Group in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

MR. SONG LISHUI

Aged 58, Mr. Song is a professor at the Department of Economics of the Faculty of Economics at the Meiji Gakuin University, Japan. Mr. Song obtained a Doctorate in Economics from the Graduate School of the Ritsumeikan University in March 1996, a Master's degree in Economics from the Graduate School of the Kyoto University in March 1991 and a Bachelor's degree in Economics from the Department of Planning and Statistics from a school of the Renmin University of China in July 1986. He has been working for the Meiji Gakuin University, Japan since 1996, and is a Secretary（局長）of the executive council of the Society of Chinese Professors in Japan and a visiting researcher of 日本TORAY經營研究所. Mr. Song was a visiting scholar of the Center for East Asian and Pacific Studies at the University of Illinois, the United States. He also served as a civil servant at the Personnel and Education Department of the National Bureau of Statistics of the People's Republic of China. He has extensive experience in economics. Mr. Song joined the Group in December 2014.

MR. CHAN YUK CHEUNG

Aged 62, Mr. Chan is currently the president of 國際友商會, and the Chairman of 中國一帶一路東盟金融發展工作促進委員會 and Sino-Cambodian Phnom Penh Economic Zone Management Committee（中柬金邊經濟特區管理委員會）. He has extensive experience in management and corporate affairs. Mr. Chan joined the Group in December 2014.

The senior management team of the Group include:

MR. DONG QILIN

Aged 51, is the manager of the Securities and Capital Market Department of the BE Group and an executive vice president of the Company and 北京允中投資咨詢有限公司 (Beijing Yun Zhong Investment Consulting Co., Ltd) ("BYZCC"), a wholly owned subsidiary of the Company. Mr. Dong graduated from the University of Science and Technology of Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

MR. LI CHANGFENG

Aged 43, executive vice president of the Company and BYZCC, the chairman and an executive director of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company. Mr. Li graduated from the Northern Jiaotong University with a Master's degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and investment and development of logistics properties. He was appointed an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

MR. TIAN YUE

Aged 53, executive vice president of the Company and BYZCC. Mr. Tian graduated from Northwestern Polytechnical University with a Bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed an executive vice president of the Company and BYZCC in July 2015.

MR. JIANG WEI

Aged 52, executive vice president of the Company and BYZCC. Mr. Jiang graduated from Harbin Railway Technical College majoring in railway engineering. Mr. Jiang has engaged in the fields of railway project construction and automobile trading for an extensive period and has extensive experience in engineering and trading. He was appointed as an executive vice president of the Company and BYZCC in September 2015.

DIRECTORS AND SENIOR MANAGEMENT

MR. WAN LEE CHAM

Aged 55, treasurer of the Company and chief financial officer of China Logistics. Mr. Wan graduated from the Hong Kong Baptist College in 1983 with the Honours Diploma in Accounting and received a Master's degree in Information Technology from the UK Coventry Polytechnic in 1988. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to his service with the Company, he was the General Manager in Finance and Administration of the China Digital satNet Limited and a Project Financial Controller of the C.P. Pokphand Co. Ltd. (SEHK stock code: 43). Mr. Wan has extensive and valuable experience in financial management. He was appointed the treasurer of the Company in February 2014 and was appointed as the chief financial officer of China Logistics in October 2014.

MR. CHENG CHING FU

Aged 42, financial controller and deputy company secretary of the Company, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, major in Accounting and Finance, and then obtained his MBA degree from University of South Australia. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. He was appointed the financial controller and deputy company secretary of the Company in October 2013.

MS. LI XIN

Aged 51, senior vice president of BYZCC. Ms. Li graduated from Renmin University of China with a Bachelor's degree in Industrial Economics and Management, and obtained the professional and technological qualification of Senior Accountant of the PRC. Ms. Li has extensive experience in financial management. She was appointed a senior vice president of BYZCC in February 2014.

MR. XIONG PINGFANG

Aged 47. Mr. Xiong obtained a graduate diploma in trade and economics from the Jiangxi University of Finance and Economics in July 1991. In 1998, he studied securities and finance at the Renmin University of China and obtained the certified public accountant certificate. Mr. Xiong has over 24 years of experience in corporate financial management, securities and finance and corporate management. Mr. Xiong is also a director of China Logistics Infrastructures (Holdings) Limited, 北京昱達投資咨詢有限公司 and Beijing Inland Port Co., Ltd. as well as the chairman of the board of Tianjin Transwell International Logistics Co., Ltd. He was also appointed a senior vice president of the Company in July 2015.

MR. JI LIANGUO

Aged 59. Mr. Ji studied industrial economics at an advanced studying class of the Capital University of Economics and Business in 2003 and obtained the professional qualification for senior accountant in the PRC. Mr. Ji has over 40 years of experience in financial management and corporate management. Mr. Ji was appointed a senior vice president of the Company in September 2015.

MS. LIN WENTING

Aged 44. Ms. Lin obtained a graduate diploma in investment and economics from the Renmin University of China in 1996 and the practicing qualification for registered cost engineer. Ms. Lin has over 22 years of experience in costing and cost management of real estate development projects. Ms. Lin was appointed a senior vice president of the Company in September 2015.

MR. YUE CHEN

Aged 52. Mr. Yue obtained a graduate diploma in foreign trade from the Beijing University of Technology in 1985 and a professional qualification for international business engineer. Mr. Yue has over 30 years of experience in international trade and corporate management. Mr. Yue also is a director and president of China Logistics Infrastructures (Holdings) Limited, a director and president of 北京昱達投資咨詢有限公司, and the chairman of the board and the general manager of Beijing Properties (Shanghai) Warehousing Co., Ltd. He was also appointed a senior vice president of the Company in September 2015.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to report the business results of Beijing Properties Holdings ("BPHL" or the "Group") for 2015.

In the reviewing year, regardless of the capricious macro-economy, the Group has seized industry development opportunities and conducted continuous acquisitions and investments in the previous year and successfully established two core business segments, namely 1) E-commerce and bonded storage businesses; and 2) Cold chain logistics businesses and agribusiness. Meanwhile, the Group actively explored opportunities with long-term investment value for enhancing profitability and returns for the Group.

The business of the Group has been doing satisfactorily and recorded stable growth in results performance. Total revenue for 2015 was approximately HKD296,572,000 and consolidated profit attributable to shareholders was approximately HKD258,454,000. Business performance in the reviewing year was as follows:

1. Benefited from the fast growing online retail sales, the logistics industry in China has been booming. In 2015, the logistics market in China was expected to reach RMB220 trillion. Supported by huge market demand and strong and effective supporting policies from the Chinese central government, the Group's E-commerce and bonded storage businesses recorded a satisfactory performance. Currently, the Group possesses numerous warehouse projects in Tier 1 cities such as Beijing, Shanghai and Tianjin which include 天津萬士隆國際物流有限公司 (Tianjin Transwell International Logistics Co., Ltd.) and 天域萬隆物流(天津)有限公司 (Transwealth Logistics (Tianjin) Co., Ltd.) at the Tianjin Airport, 北建(上海)倉儲有限公司(「上海外高橋」) (Beijing Properties (Shanghai) Warehousing Co., Ltd.) in Shanghai Pudong District and the Majuqiao Logistics Park in Beijing, which obtained the land of Phase I in November 2015. The aggregate rentable area was 821,308 m^2, of which operating rentable area reached 248,022 m^2. The operating projects brought satisfactory revenue to the Group in 2015.

   The inadequacy of high quality logistics facilities in China was a key driver for the Group's development. In order to accelerate the establishment of a nationwide logistics network, the Group engaged in new investments in several strategic logistics locations from Tianjingang, Haikou, Shenyang, Xiamen to Meishan. It is expected that by the time of 2016 or early 2017 when those transactions have been completed the Group's aggregate rentable area in E-commerce and bonded storage businesses will reach approximately 1.13 million m^2. These targeted locations enjoy a superior transportation network and a huge demand for logistics facilities, which are expected to make promising contribution to the Group's revenue in the foreseeable future.

2. The Group targets to develop the cold chain for food safety from sources to products, which includes sourcing, production, processing, packaging, storing, transporting and sales of safe aquatic, agricultural and livestock foods in China. As of 31 December 2015, the Group possessed an aggregate rentable area of 245,897m^2 for cold chain logistics and agribusiness locating in Tianjin Marine Economic Area and Quzhou Tongcheng under the operation of 天津中漁置業有限公司 (Tianjin Zhongyu Properties Co., Ltd, "TJ Zhongyu") and 衢州通成國際物流有限公司 (Quzhou Tongcheng International Logistics Co., Ltd, "Quzhou Tongcheng") respectively. TJ Zhongyu will be developed into a platform for aquatic products with an area of 65,525m^2 and storage capacity of approximately 100,000 tonnes for Phase 1. The project finished government acceptance procedures and commenced operation in first quarter of 2016. Phase I of Quzhou Tongcheng formally commenced operation in August 2015 and Phase II is under planning.

CHAIRMAN'S STATEMENT

The backward and insufficient cold chain facilities supply in China, regarded as a threat to national food safety, has drawn high attention from the central government. In 2016, the development of cold chain was officially included as one of the focused developmental goals in the State Document No.1 namely "State Council of PRC about the goals and opinions towards acting on the new concepts, speeding up modernization of agricultural industry and promoting middle class". Driven by market demand and national policies, the Group aims to be one of the China's leading suppliers in the cold chain storage and wholesaling market of agricultural products, and has been seeking for investment projects with development potential. In 2015, the Group entered into an agreement regarding the acquisition of equity in a company specialized in cold chain logistics warehousing facilities in Qingdao. The acquisition was completed in January 2016, which increased the rentable area of the Group's Cold chain logistics businesses and agribusiness to approximately 252, 683 m^2. The current storage capacity under operation reaches 113,000 tonnes.

In face of heightened logistics cost, backward logistics infrastructure and facilities in China as compared to other countries as well as the fast emerging of e-commerce, the government announced a number of supporting policies in 2015 to encourage the development of logistics industry in different aspects from transportation, modern logistics infrastructure, e-commerce to "Internet +", which brought a clearer outlook to the industry. In March 2016, National Development and Reform Commission stressed the government's decision on upgrading the lowering costs and enhancing efficiency of logistics industry to an important national strategy during"13th Five-Year Plan" under the new economic normal and new development ideas, in order to push forward the supply side structural reform and the innovative development of logistics industry. Both the solid support from the government and growing market demand indicate the enormous profit in the logistics industry in the future. Therefore, the Group will continue to leverage its own advantages and unearth more high potential investment opportunities in logistics real estate and other projects, aiming at bringing better return for our shareholders.

The Group targets to develop a rentable area of 3,000,000 m^2 for general warehouses and 1,000,000 tonnes storage capacity for cold warehouses in the coming four years. We believe that with the strong background of our parent company, our advantageous position in accessing quality land resources, rich experience and strong client base will help the Group to outcompete in the market, marginalize other players and become the top three players in the logistics industry in China.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude and appreciation to our shareholders, business counterparts and customers for their enduring support and continuing commitment to the Group, as well as our staff for their continuing loyalty and dedication in marking a milestone for the Group in 2015.

Yu Li
Vice Chairman

24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2015 (the "Fiscal Year 2015"), the Group recorded a consolidated profit attributable to the shareholders of the Company of approximately HK$258.45 million, as compared to the consolidated profit attributable to the shareholders of the Company of approximately HK$166.88 million recorded in the year ended 31 December 2014 (the "Fiscal Year 2014").

BUSINESS REVIEW

The Group is principally engaged in logistics infrastructures business and the provision of related services in China. Through continuous acquisitions and investments in previous years, the Group has established two core business lines, namely: 1) E-commerce and bonded storage businesses; and 2) Cold chain logistics businesses and agribusiness:

1) E-commerce and bonded storage businesses

The Group possesses numerous logistics facilities and warehouses located in tier 1 and tier 2 cities including Beijing, Shanghai, Tianjin and Shenyang, with an aggregate rentable area of 821,308 m^2, among which operating rentable area reached 248,022 m^2. Details are as follows:

Name of Group company	Location of warehouses	Interest (%)	Rentable area (m^2)	Operating rentable area (m^2)	Occupancy rate as at 31 December (%) 2015	(%) 2014	Major tenants
BIPL*	Majuqiao district in the North-East region of Beijing, next to the intersection of Jinghu Expressway and South 6th Ring Road of Beijing	76	550,690	–	**–**	–	InterLog, Best Express, DHL, China Railway Group, Sanhui Logistics etc. (Note 1)
Beijing Properties (Shanghai) Warehousing Co., Ltd. ("Shanghai WGQ")	Gaoqiao Town of Putong New District, North-East region of Pudong District	100	211,985	211,985	**90.03**	94.48	Nippon Express, Kintetsu Express, MOL Logistics, Mitex Logistics, DCH, etc.
Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics")	Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone)	70	24,321	24,321	**85.44**	96.4	Kintetsu Express, Nippon Express, Kerry Logistics, COSCO
Transwealth Logistics (Tianjin) Co., Ltd. ("Transwealth Logistics")	Site F, Tianjin Airport International Logistics Zone	70	34,312	11,716	**100**	100	SF Express (Note 2)
Total			821,308	248,022			

* *Joint venture of the Group.*

Note 1: Those tenants of BIPL had signed legally-binding letters of intent.

Note 2: The whole area of 11,716 m^2 of Phase I of Transwealth Logistics had been leased to SF Express and it had also entered into a letter of intent for leasing the whole area of Phase II of 22,596 m^2 upon its completion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) E-commerce and bonded storage businesses (Continued)

(a) The Majuqiao Logistics Park, which will be completed by three phases, is the largest project to be invested in, developed and operated by BIPL as well as the Group, and, upon completion, will be the largest integrated logistics facilities in North China. The Group had obtained the land for phase I of the project on 3 November 2015, which is expected to be developed into modern warehouses with rentable area of approximately 291,340 m^2. Potential tenants had signed legally binding letters of intent for leasing. Currently, it is around 300,000 m^2 of the gross floor area of this project has been rented out to potential tenants with an average proposed pre-business-tax rent of approximately RMB1.15 per m^2 per day. Construction of the whole three phases is expected to be completed in approximately eighteen months after the construction of Phase I started, subject to the progress of availability of the lands used for Phase II and Phase III. The Phase 1 construction is expected to be started at the end of June 2016.

(b) Shanghai WGQ consists of 23 units of warehouses. The occupancy rate for the rentable area was approximately 90.03% as at 31 December 2015, while the average occupancy rate for the rentable area was approximately 90.37% for the Fiscal Year 2015, which represented an increase of approximately 8.83 percentage points, from approximately 81.54% for the Fiscal Year 2014. The daily average pre-business tax rent of it for the Fiscal Year 2015 was approximately RMB1.42 per m^2. The occupancy rate of this project is expected to be maintained at the same level in 2016. However, competition is becoming keen given a new warehouse with similar size that will be launched soon by Global Logistics Properties Ltd, the largest player of the industry in China.

(c) The warehouse of WSL Logistics is the sole bonded warehouse of the Tianjin Binhai International Airport. The occupancy rate for the rentable area was approximately 85.44% as at 31 December 2015 and the average occupancy rate for the rentable area was approximately 93.32% for the Fiscal Year 2015, representing a decrease of approximately 5.41 percentage points from that of approximately 98.73% for the Fiscal Year 2014 as a result decrease in imported goods due to China's recessing economy. The daily average pre-business-tax rent of it was approximately RMB1.59 per m^2.

(d) Phase I of the warehouse of Transwealth Logistics had been fully leased to SF Express with a daily average pre-business-tax rent of approximately RMB0.84 per m^2. On 23 April 2015, the Group entered into a letter of intent with SF Express to further lease the whole area of approximately 22,596 m^2 of Phase II of the warehouse upon its completion and the respective tenancy deposit was received. The intended pre-business tax rent of which is approximately RMB1.08 per m^2 per day and the Phase II is expected to be delivered to SF Express before November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) E-commerce and bonded storage businesses (Continued)

Apart from the above, other new investments committed by the Group for this business line during the Fiscal Year 2015 included:

(a) On 24 June 2015, BIPL entered into the joint venture agreement pursuant to which a new joint venture company will be established to invest in the Tianjingang Project. The Tianjingang Project will occupy a total land area of approximately 394,000 m^2 and will be developed by two phases. Phase I is located in the Tianjin Free Trade Pilot Zone, and will occupy a land area of approximately 176,000 m^2. The land will be developed into a complex including general warehouse facilities of approximately 20,000 m^2, bonded cold storage warehouse facilities of approximately 14,000 m^2, custom bonded warehouse of approximately 9,700 m^2, office of approximately 8,000 m^2 and container depot of approximately 4,600 m^2. Phase II is located outside the Tianjin Free Trade Zone but is connected to the land of Phase I. It will occupy a land area of approximately 218,000 m^2. The land of Phase I of the project will be acquired first while the acquisition of the land of Phase II will be decided by the new joint venture company. It is expected the land of Phase I will be acquired in 2016.

(b) On 22 September 2015, the Group entered into a framework agreement with parties to acquire 80% equity interests in 海南達通倉儲有限責任公司 (in English, for identification purpose, Hainan Datong Warehouse Company Limited, "Datong Warehouse"), which is the owner and developer of a parcel of land located in Chengmai County, Haikou City of Hainan Province (the "Chengmai Land"). Pursuant to the framework agreement, upon satisfaction or waiver of the conditions precedents, the Group will acquire 80% equity interest in Datong Warehouse at a consideration of approximately RMB140.10 million. Datong Warehouse will develop the Chengmai Land into warehouses of approximately 50,226 m^2 and a letter of intent of the entire area of warehouses has been signed with a potential tenant which is a leading player of e-commerce in China. The potential pre-business tax rental income of which will be approximately RMB0.9 per m^2 per day, with average increment of approximately 3% per year. It is expected the transaction will be completed in July 2016.

(c) On 6 November 2015, the Group entered into a framework agreement with parties to acquire 80% equity interests in 和超物流(瀋陽)有限公司 (in English, for identification purpose, He Chao Logistics (Shenyang) Co., Ltd., "He Chao Logistics"), which is the owner and developer of a parcel of land located in Yuhong District, Shenyang City of Liaoning Province (the "Yuhong Land"). Pursuant to the framework agreement, upon satisfaction or waiver of the conditions precedents, the Group will acquire 80% interests of He Chao Logistics through the subscription of new shares of and acquisition of old shares of Advance Eternal Investment Limited, its immediate holding company, at a consideration of not more than approximately RMB151.69 million. He Chao Logistics will develop the Yuhong Land into warehouses (with auxiliary facilities) of approximately 52,422 m^2 and majority of which had been leased out to potential tenants. The potential pre-business tax rental income of which will be approximately RMB0.95 per m^2 per day. It is expected the transaction will be completed in December 2016 or January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) E-commerce and bonded storage businesses (Continued)

(d) On 17 November 2015, the Group signed the equity agreement with various parties on the acquisition of Xiamen Xunda Hongtong Warehouse Company Limited ("Xiamen Xunda"). Accordingly, upon the satisfaction or waiver of the conditions precedent, the Group will acquire 80% equity interest of Xiamen Xunda at a consideration of approximately RMB172.9 million. Xiamen Xunda is located at Xiamen City, Fujian Province and possesses 5 warehouses with total rentable area of approximately 79,923 m^2, which had been fully leased out to three major players of e-commerce business in China with pre-business tax rental income of approximately RMB0.925 per m^2 per day. The transaction was completed in April 2016.

(e) On 17 November 2015, the Group signed the equity agreement with various parties on the acquisition of Meishan Xunda Hongtong Warehouse Company Limited ("Meishan Xunda"). Accordingly, upon the satisfaction or waiver of the conditions precedent, the Group will acquire 60% equity interest of Meishan Xunda at a consideration of approximately RMB122.83 million. Meishan Xunda is located at Meishan City, Sichuan Province and possesses 4 warehouses with a total rentable area of approximately 97,809 m^2, among which 24,660.36 m^2 had been leased out to a major player of e-commerce business in China with pre-business tax rental income of approximately RMB0.94 per m^2 per day. Meishan Xunda also has a land of approximately 33,333 m^2 not yet developed. The transaction was completed in April 2016.

Following the continuous completions of the above transactions, the total rentable area of E-commerce and bonded storage businesses will be increased from approximately 821,308 m^2 to approximately 1.13 million m^2, which will contribute positively the revenue of the Group in future years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold chain logistics and agribusiness

The key development focus of the Group is to establish nationwide cold chain logistics facilities and agribusiness trading platforms specifically for food in China.

The Group is running an aggregate rentable area of 245,897 m^2 for cold chain logistics and agribusiness, details are as follow:

Name of subsidiaries	Location of warehouses	Interest (%)	Type of facilities	Rentable area (m^2)	Operating rentable area (m^2)	Occupancy rate as at 31 December (%) 2015	(%) 2014	Major tenant(s)
Tianjin Zhongyu Properties Co., Ltd ("TJ Zhongyu")	Tianjin Marine Economic Area	60	Cold-chain logistics platform for aquatic products including processing, storage and trading	65,525	65,525	–	–	Mr. Zhang Junqing
衢州通成農業發展有限公司 (Quzhou Tongcheng Agriculture Development Co., Ltd, "Quzhou Tongcheng")	No. 2012, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang	100	Shops, distribution and trading centre for agricultural products	180,372 (note 1)	34,815	100	–	Quzhou Fruit and Vegetable Association, Quzhou Counsel of Dry Grocery
Total				245,897	100,340			

Note 1: The whole area of Phase I of Quzhou Tongcheng is approximately 34,815 m^2 and the whole area of Phase II is approximately 145,557 m^2.

(a) TJ Zhongyu is developing into a trading platform for aquatic products. Phase I of 65,525 m^2 carries storage capacity of approximately 100,000 tonnes. There is spare land of approximately 53,000 m^2 available for development of Phase II in future, subject to the business development of Phase I and the finalisation of plot ratio with the local government.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold chain logistics and agribusiness (Continued)

(b) Quzhou Tongcheng runs a project in collaboration with the People's Government of the Quzhou City. It is a newly developed complex containing shops and trading centre for the migration of the old trading centre in the same city. The existing trading centre was granted the status of first class wholesaling centre for agricultural products, covering a surrounding market with an area of approximately 150 square miles and a population of approximately 30 million people and previously it generated an annual turnover of approximately RMB5.2 billion. Currently Phase I with a rentable area of 34,815 m^2 was fully leased out. Apart from the average rent of approximately RMB1 per m^2 per day, the new trading centre under Quzhou Tongcheng will also be entitled to a commission income of 1% of all transactions done in the premises. Phase I formally commenced operation on 18 August 2015. Quzhou Tongcheng is also planning the Phase II development, which will develop a total rentable area of approximately 145,557 m^2, including shops of approximately 83,293 m^2, cold storage warehouse of approximately 25,000 m^2, general warehouse of approximately 23,000 m^2, logistics distribution area of approximately 4,408 m^2 and a hotel of approximately 9,856 m^2. We expect that the construction works will be completed by June 2017.

Apart from the above, other new investments committed by the Group for this business line during the Fiscal Year 2015 included:

(a) On 27 November 2015, the Group signed a share purchase agreement with Jet Success Investments Limited pursuant to which, upon satisfaction or wavier of conditions precedent, the Group will acquire 80% equity interest of Qingdao Jingchangshun Food Co., Ltd. ("Jingchangshun") at a consideration of approximately RMB40 million. The Project Company is principally engaged in operation of cold logistics storage facilities in Chengyang district of Qingdao, China. It currently owns a parcel of land of approximately 15,351.5 m^2 with cold warehouse of approximately 6,785.84 m^2, representing a carrying storage capacity of approximately 13,000 tonnes. The transaction was completed in January 2016.

Following the completion of the above transaction, the total rentable area of cold chain logistics businesses and agribusiness will be increased from approximately 245,897 m^2 to approximately 252,683 m^2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

3. Apart from the abovementioned two business lines, the Group's other operating assets include the followings:

(a) Guangzhou Guangming Real Estates Co. Ltd. ("Guangzhou Guangming") owns 99% interest in the Metro Mall. The mall is situated at the Beijing Road shopping district, Yuexiu District of the Guangzhou City of China. The mall has a gross floor area of approximately 62,000 m^2, and is a 11-storey shopping centre providing dining, entertainment, shopping and cultural experience to customers. Since the successful introduction of the International All Stars Cinema and the Mopark Department Store in 2012, the revenue of the mall has been improving. It is expected that, due to the long term tenancy period and profit-sharing mechanism signed with the tenants, the revenue will be increased annually in the coming years. Currently the occupancy rate is maintained at approximately 90.21%.

(b) Holiday Inn Downtown Beijing Company Limited ("BJ Holiday Inn") is a wholly-owned subsidiary of the Group, and is the owner of a four star business and leisure hotel providing 333 elegantly decorated rooms to business travellers in Beijing. It is located in the business district of Financial Street, Xicheng District of Beijing and due to its convenience to transportation, the average room occupancy rate was approximately 78.39% for the Fiscal Year 2015. The hotel is a cash generating asset which can sustain its own operation and distribute stable dividend to the Company when needed.

4. Our Group also has other value investments including:

(a) Beijing Enterprises Medical and Health Industry Group Limited ("BJ M&H", SEHK stock code: 2389, formerly known as Genvon Group Limited): The Group acquired 20.86% equity interest of BJ M&H in 2014, and became its single largest shareholder. Upon its completion of placing of new shares during the Fiscal Year 2015, the Group remains its single largest shareholder with 15.14% equity interest. BJ M&H has completed a number of medically related acquisitions and officially changed its business activities to the development of medical care, health care and geriatric care related infrastructures. The Group believes that medical and health caring industry in China will has rapid development in the foreseeable future and the investment in BJ M&H is expected to bring prosperous return to the Group. The Group's investment in BJ M&H is classified as available-for-sale equity investments.

(b) CAQ Holdings Limited ("CAQ", ASX: CAQ): By injection of the Haikou Peace Base Holdings Limited ("HPB", which the Group has 40% equity interests), 83,000,000 new shares of CAQ was exchanged by the Group which represents approximately 12.67% equity interest in CAQ in Fiscal Year 2015. HPB will operate a complex of exhibition centre, plants and warehouses with an aggregate rentable area of approximately 87,165 m^2 for jewelry and high end products in China. It will also develop e-commerce jewelry business in China. Given that the sales of jewelry is surging in China, with an annual growth rate of over 40%, the Group believes HPB will achieve remarkable results in the future, thus will benefit the Group and its shareholders as a whole. The Group's investment in CAQ is classified as available-for-sale equity investments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS

The logistics industry in China was booming in recent years due to the unexpectedly fast growth of online retail sales. In 2015, China logistics market is expected to reach RMB220 trillion. However, due to the lack of logistics infrastructure, China's logistics cost has been persistently high, bringing certain impact on the retail market and national economic development. In view of that, Chinese government has repeatedly stressed the importance of the logistics industry for the country as a whole. Apart from the "Logistics Industry Mid-to-Long term Planning (2014-2020)"(《物流業發展中長期規劃(2014-2020)》) announced in 2014, the State Council of PRC published the "Opinions about active development of e-commerce and push forward the fostering of new economic driver" (《關於大力發展電子商務加快培育經濟新動力的意見》) in May 2015. This document suggested several supportive measures on encouraging traditional trade and business enterprises to develop e-commerce, to set up logistics support terminals and to construct intelligent logistics platform. During the same month, Ministry of Commerce of PRC published "Internet + Circulation Action Plan" (《「互聯網+流通」行動計劃》) aiming to speed up the in-depth fusion of internet and circulation industry. National Development and Reform Commission announced the "Notice about speeding up the Modern Logistics Construction"(《關於加快實施現代物流重大工程的通知》) which also stressed on the increased effort towards supporting the important details and weaknesses of the basic logistics infrastructure projects. Given logistics will be the core pillar for pushing forward the supply side structural reform, lowering costs and enhancing efficiency of logistics industry will be upgraded to be an important national strategy during the "13th Five-Year Plan". Under the strong national support, China logistics industry has entered into its rapid development stage, among which the development for logistics infrastructure will be the fastest.

Food safety is another issue that draws high attention in China. Along with the economic development and increasing income per-capita, people have become more concerned about food safety and quality. As an important part of maintaining food quality, cold chain facilities are facing increasing demand and more stringent requirements. However, cold chain facilities in China are still in short of supply and of poor quality. The existing facilities in China are mostly outdated, characterised by high energy-consuming and low capacity, resulted in the wastage of million tonnes of perishable foods annually in China. According to the "2016-2021 China Cold Chain Logistics Industry Market Preview and Strategic Planning Analysis Report"(《2016-2021年中國冷鏈物流行業市場前瞻與投資戰略規劃分析報告》) issued by Qianzhan Industrial Research, the demand for cold chain logistics reached 104.88 million tonnes as compared to the 20%-30% cold chain logistics coverage rate in 2014. To seize the huge market opportunity arisen from the serious shortage of cold chain facilities, the Group targets to develop the cold chain for food safety from sources to products, which includes sourcing, production, processing, packaging, storing, transporting and sales of safe aquatic, agricultural and livestock foods in China. Development of the cold chain logistics industry was included as one of the focused developmental goals in the 2016 State Document No.1 "State Council of PRC about the goals and opinions towards acting on the new concepts, speeding up modernization of agricultural industry and promoting middle class"(《中共中央國務院關於落實發展新理念加快農業現代化實現全面小康目標的若干意見》). Under the strong national support, the Group will build up a nationwide network of modernised cold storage facilities to provide stable cash flow and income at the beginning, and then connect the network to other value-added services such as food processing (central kitchen), cold chain transportation, logistics related financing, etc. Given the strong demand for modernised cold chain logistics, the market generally believes in the attractive returns brought by the investment in cold storage. As there are no outstanding leaders in cold chain facilities in China, the Group has confidence in getting a key position in the market in future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS (Continued)

The Group's core businesses are currently concentrated in the key regions of logistics industry in China, such as Tianjin, Beijing and Shanghai. Benefiting from "Beijing-Tianjin-Hebei Coordinated Development Plan"(《京津冀協同發展規劃綱要》), which stressed on the transportation integration of Beijing, Tianjin and Hebei, the Group's existing logistics facilities are expected to enjoy bigger geographical and transportation advantage. The Group is determined to continuously expanding its network of facilities nationwide, and has already targeted and strategically planned to capture the development in different regions. In the meantime, the Group will continue to enhance the quality of its logistics facilities as well as upgrading its services and safety level.

As a state-owned enterprise with years of operation experience, the Group maintains its core competitiveness. Firstly, the Group enjoys superior advantages in accessibility to land. Currently local and district governments are reluctant to provide land for logistics development due to low tax and employment contributions to the district and due to so many cases happened previously that land function was changed illegally after land was acquired at lower cost by name of logistics development. Currently it is not easy for private enterprises to obtain land in prime location unless they are willing to pay high tax and demonstrate investment commitments. Benefiting from its state-owned background and high credibility, the Group is able to overcome such difficulties. Secondly, given the strong background of the parent company, the Group can obtain low-cost funding for development easily. The current average funding cost for the Group is approximately 5.5%, which is relatively low when compared to 8% to 20% funding cost for other private enterprises. Most importantly, through years of operations, the Group has established a stable client base including many sizeable enterprises in various industries like JD.com, DHL, Kerry Logistics, MOL Logistics, Nippon Express, Sinotrans, SF Express, etc. The stable relationships with clients have become an valuable resources and provide potential tenancy for new projects of us.

The Group believes that the above strengths will continue to lead the way to our success. In 2015, the Group actively expanded its nationwide logistics facilities network by entering into core logistics cities in Fujian Province, Sichuan Province, Hainan Province, Shandong Province and Liaoning Province. In the future, the Group will continue explore other logistics hubs with development potentials for further expansion of the logistics network. The Group has at the beginning of the year set out its long term development targets: three million m^2 of rentable area for general warehouses and one million tonnes storage capacity for cold warehouses in the coming four years and become one of the top three players in the logistics industry in China. At the meantime, upon the active promotion of the "One Belt One Road" policy by Chinese government, closer cooperative relationship with other countries are being established. The Group will look out for suitable investment opportunities in order to expand the current business to other regions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the Fiscal Year 2015 amounted to approximately HK$296.57 million, representing an increase of approximately HK$93.59 million or 46.11%, from approximately HK$202.98 million for the Fiscal Year 2014. The gross profit for the Fiscal Year 2015 amounted to approximately HK$231.36 million, representing an increase of approximately HK$64.72 million, or 38.84% from approximately HK$166.64 million for the Fiscal Year 2014. The increase was primarily attributable to (i) full year revenue was recognized for the Fiscal Year 2015, compared to around four to six months' revenue was recorded after completion of acquisitions of BJ Holiday Inn in August 2014 and reclassification of Guangzhou Guangming from a joint venture to a subsidiary in July 2014; (ii) the Phase I of Transwealth Logistics had been handed over to tenant in September 2014; (iii) the new revenue contribution from Quzhou Tongcheng; and (iv) the increase of revenue contribution from Shanghai WGQ.

The revenue (net of business tax) contributions of our assets include:

	Fiscal Year 2015		Fiscal Year 2014		Change	
	Revenue	**GP Margin**	Revenue	GP Margin	Revenue	GP Margin
Name of assets	**HK$'000**	**%**	HK$'000	%	HK$'000	%
Shanghai WGQ	**116,245**	**96.48**	106,815	94.36	9,430	2.12
WSL Logistics	**15,937**	**93.62**	17,740	96.57	-1,803	-2.95
Transwealth Logistics	**4,330**	**98.84**	1,286	100.00	3,044	-1.16
Metro Mall	**58,341**	**85.16**	23,494	88.63	34,847	-3.47
Holiday Inn BJ	**96,274**	**47.81**	43,925	45.30	52,349	2.51
Quzhou Tongcheng	**1,905**	**100**	–	–	1,905	N/A
Lugang*	**3,540**	**67.68**	9,723	68.87	-6,183	-1.19
The Group	**296,572**	**78.01**	202,983	82.09	93.589	-4.08

* During the Fiscal Year 2015, the Group disposed its entire interest in Lugang following the disposal of Zhijian Limited, which was an intermediate holding company of Lugang.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

Shanghai WGQ

The revenue (net of business tax) contribution of Shanghai WGQ for the Fiscal Year 2015 amounted to approximately HK$116.25 million, representing an increase of approximately HK$9.43 million, or 8.83%, from approximately HK$106.82 million for the Fiscal Year 2014. The increase was primarily attributable to the increase in average occupancy rate. The gross profit margin was slightly increased from approximately 94.36% for the Fiscal Year 2014 to approximately 96.48% for the Fiscal Year 2015 due to less property agency commissions were incurred.

WSL Logistics（天津萬士隆）

The revenue (net of business tax) contribution of WSL Logistics for the Fiscal Year 2015 amounted to approximately HK$15.94 million, representing a decrease of approximately HK$1.8 million, or 10.15%, from approximately HK$17.74 million for the Fiscal Year 2014. The decrease was primarily due to the decrease in average occupancy rate. The gross profit margin was decreased from approximately 96.57% for the Fiscal Year 2014 to approximately 93.62% for the Fiscal Year 2015 due to the additional repair and maintenance costs were incurred.

Transwealth Logistics（天域萬隆）

The revenue (net of business tax) contribution of the Phase I of Transwealth Logistics for the Fiscal Year 2015 amounted to approximately HK$4.33 million, representing an increase of approximately HK$3.04 million, or 235.66%, from approximately HK$1.29 million for the Fiscal Year 2014. The increase was primarily attributable to full year revenue was recognised for the Fiscal Year 2015, compared to three and a half months' revenue was recognised after handling over the warehouse to SF Express since middle of September 2014. The gross profit margin was slightly decreased from 100% for the Fiscal Year 2014 to approximately 98.84% for the Fiscal Year 2015 due to the additional repair and maintenance costs were incurred.

Metro Mall

The revenue (net of business tax) contribution of Metro Mall amounted to approximately HK$58.34 million, representing an increase of approximately HK$34.84 million, or 148.26%, from approximately HK$23.5 million for the Fiscal Year 2014. The increase was primarily attributable to full year revenue was recognised for the Fiscal Year 2015, compared to five months' revenue was recognised for the Fiscal Year 2014. The gross profit margin was slightly decrease from approximately 88.63% for the Fiscal Year 2014 to approximately 85.16% for the Fiscal Year 2015 due to the additional property management costs were incurred.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

Holiday Inn BJ

The revenue (net of business tax) mainly represented accommodation revenue, food and beverage sales and rendering of ancillary services. Accommodation revenue was mainly determined by the number of rooms available, average room occupancy rate and average charging rates of the rooms. During the Fiscal Year 2015, the revenue (net of business tax) contribution of hotel operation amounted to approximately HK$96.27 million, the gross profit margin was 47.81%, the average room occupancy rate was approximately 78.39%, and the average room charging rate was approximately RMB553.26 per day. Accommodation revenue for the Fiscal Year 2015 amounted to approximately HK$61.03 million and the gross profit margin of accommodation revenue was approximately 53.28%. Food and beverage sales comprised of catering for banquet, coffee shop, room catering services for guests and other sales in restaurants and bars in the hotel. The sales revenue of food and beverage for Fiscal Year 2015 amounted to approximately HK$21.7 million and the gross profit margin was approximately 8.19%. Revenue from rendering of ancillary services mainly represented income generated from gift shops, business centre, transportation, laundry and additional service charges on revenue of accommodation service, food and beverage sales and other services. The revenue from rendering of ancillary services for Fiscal Year 2015 amounted to approximately HK$13.54 million and the gross profit margin of rendering of ancillary services was approximately 86.66%.

Quzhou Tongcheng

The Phase I of Quzhou Tongcheng commenced operation in August 2015. The revenue (net of business tax) contribution amounted to approximately HK$1.91 million for the Fiscal Year 2015. The gross profit margin was 100% due to no direct expenses incurred for the Fiscal Year 2015.

Gain on disposal of subsidiaries

On 17 April 2015, the Group completed a disposal of entire interest in Rayport Limited ("Rayport"), which held 40% equity interests in HPB, to CAQ. CAQ issued 83,000,000 new shares as the consideration to acquire the entire interest in Rayport. After the completion, the Group holds 12.67% equity interest in CAQ, and recorded a gain on disposal of entire interest in Rayport of approximately HK$57.61 million.

On 29 May 2015, the Group completed the disposal of its entire interests in Zhijian Limited, which held 82.24% equity interest in Lugang, to BJ M&H. The cash consideration of HK$408 million was received by the Group during the 2015 Period and the Group recorded a gain on disposal of approximately HK$144.63 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Gains on bargain purchases of subsidiaries

During the Fiscal Year 2014, an inherit acquisition of an additional 19% equity interest in Guangzhou Guangming at a consideration of approximately HK$47.22 million, which had been proposed prior to the Group acquired Guangzhou Guangming on 31 December 2013, were approved by the relevant government authorities on 31 July 2014. The aggregate fair values of the net assets acquired at the date of acquisition was approximately HK$106.10 million. Accordingly, gains on bargain purchases of subsidiaries of approximately HK$58.88 million were resulted and recognised in the consolidated statement of profit or loss.

Gain on disposal of an associate

The Group recorded a gain on fair value change of approximately HK$174.34 million when BJ M&H was changed from an associate to available-for-sales equity during the Fiscal Year 2015.

Gain on deemed disposal of a partial interest in an associate

The Group recorded a gain on deemed disposal of approximately HK$46.59 million upon the completion of placements of new shares by BJ M&H during the Fiscal Year 2015.

Other income

During the Fiscal Year 2015, the net other income and gains were approximately HK$48.09 million, which represents an increase of approximately HK$19.27 million, or 66.86%, from approximately HK$28.82 million of the Fiscal Year 2014. The increase was mainly attributable to the increase of approximately HK$18.97 million in interest income as a result of increase in average cash balances.

Selling and distribution expenses

During the Fiscal Year 2015, the selling and distribution expenses were approximately HK$17.56 million, which represents an increase of approximately HK$11.73 million, or 201.0%, from approximately HK$5.83 million for the Fiscal Year 2014. The increase was mainly attributable to the full year's expenses of Holiday Inn BJ was recognised for the Fiscal Year 2015, compared to five month's expenses were recognised for the Fiscal Year 2014, and the selling expenses of Quzhou Tongcheng were incurred since the operation commenced on 18 August 2015.

Administrative expenses

During the Fiscal Year 2015, the administrative expenses were approximately HK$191.75 million, which represents an increase of approximately HK$11.75 million, or 6.53%, from approximately HK$180.00 million of the Fiscal Year 2014. The increase in administrative expenses was mainly attributable to the combined net effect of (i) an increase in staff costs of approximately HK$18.52 million as a result of the full year's staff costs of Holiday Inn BJ and Guangzhou Guangming were recognised for the Fiscal Year 2015, compared to around four to six months' expenses were recognized for the Fiscal Year 2014; (ii) the decrease in the equity-settled share option expense of approximately HK$34.92 million (2015: approximately HK$20.24 million; 2014: approximately HK$55.16 million) for share options granted; (iii) an increase in legal and other professional fee of approximately HK$17.63 million due to more potential investment opportunities were assessed and reviewed during the Fiscal Year 2015; and (iv) an increase in depreciation of approximately HK$10.62 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Provision for compensation

During the Fiscal Year 2015, provision for compensation amounting to approximately HK$12.39 million, which represented an increase of 10.15 million, or 453.13%, from approximately HK2.24 million for the Fiscal Year 2014. The provision was in respect of demolishing and reallocating compensation to the residents affected during the construction of the Metro Mall. The increase in provision of current year is due to the increase in land value and which was calculated with reference to the land value of the surrounding area.

Other expenses

During the Fiscal Year 2015, the other expenses were approximately HK$83.01 million, which represented an increase of approximately HK$51.01 million, or 159.4%, from approximately HK$32 million for the Fiscal Year 2014. The increase was mainly attributable to the combined net effect of (i) a increase in foreign exchange loss of approximately HK$36.86 million, from approximately HK$20.1 million for the Fiscal Year 2014 to approximately HK$56.96 million for the Fiscal Year 2015, due primarily to the depreciation in RMB; (ii) an impairment loss of approximately HK$18.33 million was incurred for the Fiscal Year 2015, due to the fair value change of the investment in CAQ's shares as at the year end; and (iii) no equity-settled share option expenses for consultancy service were incurred for the Fiscal Year 2015 but approximately HK$11.69 million were incurred in Fiscal Year 2014.

Finance costs

During the Fiscal Year 2015, the finance costs were approximately HK$178.85 million, representing an increase of approximately HK$54.93 million, or 44.33%, from approximately HK$123.92 million for the Fiscal Year 2014. The finance costs for the Fiscal Year 2015 mainly included: (i) imputed interest and coupon interest of PAG Convertible Bonds which amounted to approximately HK$40.70 million and approximately HK$24.61 million respectively (2014: approximately HK$31.61 million and HK$21.85 million respectively); (ii) interest on bank and other loans of approximately HK$96.62 million which were increased by approximately HK$26.20 million, or 37.21%, from approximately HK$70.42 million for the Fiscal Year 2014, which mainly due to the increase of average borrowings; and (iii) interest on USD bonds of approximately HK$16.92 million which was incurred after its issuance on 20 November 2015.

Share of profits and losses of joint ventures

During the Fiscal Year 2015, the share of gain of joint venture of approximately HK$4.68 million was contributed solely by BIPL, which represented an increase of approximately HK$25.12 million from the share of loss of approximately HK$20.44 million for the Fiscal Year 2014. The increase was mainly due to the increase in interest income on bank deposits of BIPL.

Share of profits and losses of associates

During the Fiscal Year 2015, the share of loss of associate was approximately HK$0.38 million, representing a decrease of approximately HK$3.15 million from the gain of approximately HK$2.77 million for the Fiscal Year 2014.

Total assets

The total assets of the Group as at 31 December 2015 were approximately HK$11,466.54 million, representing an increase of approximately HK$1,911.21 million, or 20.00%, from approximately HK$9,555.33 million as at 31 December 2014. The increase was mainly attributable to the combined net effect of (i) the net proceeds of approximately HK$2,258.37 million was received after issuance of the USD bonds on 20 November 2015; (ii) the fair value gains on investment properties of approximately HK$99.34 million; and (iii) approximately HK$400 million bank loan was repaid.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Total liabilities

The total liabilities of the Group as at 31 December 2015 were approximately HK$7,005.86 million, representing an increase of approximately HK$1,762.49 million, or 33.61%, from approximately HK$5,243.37 million as at 31 December 2014. The increase was mainly attributable to the combined net effect of (i) the USD bonds of approximately HK$2,258.37 million was issued on 20 November 2015; (ii) the net reduction of borrowings of approximately HK$272.17 million during the Fiscal Year 2015; and (iii) approximately HK$216.64 million was repaid to related companies.

Total equity

The total equity attributable to shareholders of the Company as at 31 December 2015 was approximately HK$4,220.42 million, representing an increase of approximately HK$58.58 million, or 1.41%, from approximately HK$4,161.84 million as at 31 December 2014. The increase was mainly attributable to the combined net effect of (i) the decrease in the foreign exchange translation reserves; and (ii) the profit for the Fiscal Year 2015.

Liquidity and financial resources

As at 31 December 2015, for accounting purposes, the Group had total borrowings of approximately HK$5,313.39 million (31 December 2014: approximately HK$3,333.91 million) which included: (i) approximately HK$2,032.22 million from bank and other borrowings; (ii) approximately HK$413.07 million from PAG Convertible Bonds; (iii) approximately HK$609.73 million from redeemable equity instrument; and (iv) approximately HK$2,258.37 million from USD bonds. The Group's gearing ratio, which was defined as a sum of bank and other borrowing, convertible bonds, redeemable equity instrument, USD bonds, net of cash and cash equivalents and restricted cash and divided by the total equity was approximately 43.89% (31 December 2014: approximately 48.52%). The decrease in the gearing ratio as at 31 December 2015 was mainly attributable to the decrease of the outstanding balance of bank and other borrowings as at 31 December 2015 (excluding the USD bonds).

As at 31 December 2015, the Group's bank and other borrowing balance amounted to approximately HK$2,032.22 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 43.39%, 44.87% and 11.74%, respectively. 88.96% of these bank and other borrowings was repayable less than 1 year. As at 31 December 2015, the Group's cash and bank balances amounted to approximately HK$3,355.43 million, which was denominated in USD, HK$ and RMB as to 46.87%, 17.49% and 35.64%, respectively.

All of the bank and other borrowings bear interest at floating rates, the PAG Convertible Bonds bears coupon rate of 4% per annum and the USD bonds bears coupon rate of 5.5% per annum. The cash and bank balances, together with the unutilised banking facilities, are able to finance the Group's businesses at the moment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Liquidity and financial resources (Continued)

As at 31 December 2015, the Group's current ratio and quick ratio were approximately 116.92% and approximately 116.89% (31 December 2014: current ratio and quick ratio were approximately 73.82% and approximately 73.76%) respectively. As at 31 December 2015, all the financial covenants stipulated in the loan facility agreements, subscription agreement of the PAG Convertible Bonds and subscription agreement of the USD bonds have been complied.

The net total borrowings of the Group as at 31 December 2015 (total borrowings less cash and cash equivalents and restricted cash) was HK$1,957.96 million (2014: HK$2,092.15 million), representing a decrease of HK$134.19 million as compared to the last year.

Contingent liabilities

As at 31 December 2015, the Group had guarantees of approximately HK$23 million given in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by a subsidiary of the Group in prior years (31 December 2014: HK$42 million).

Capital expenditure

During the Fiscal Year 2015, the Group spent approximately HK$430.85 million (2014: approximately HK$3,020.85 million) as capital expenditures, which consisted of purchases of property, plant and equipment and investment properties during the Fiscal Year 2015.

Capital commitments

As at 31 December 2015, the Group had outstanding contracted capital commitments amounted to approximately HK$1,115.49 million in aggregate which comprised of commitments for:

(i) the outstanding construction costs of approximately RMB3.52 million (equivalent to approximately HK$4.21 million) committed for construction of warehouse for the second phase of Transwealth Logistics, a 70% subsidiary of the Group;

(ii) the outstanding construction costs of approximately RMB43.57 million (equivalent to approximately HK$51.99 million) committed for the cold storage warehouse facilities of TJ Zhongyu, a 60% subsidiary of the Group;

(iii) the outstanding construction costs of approximately RMB67.08 million (equivalent to approximately HK$82.76 million) committed for warehouse facilities of Quzhou Tongcheng, a wholly-owned subsidiary of the Group;

(iv) The outstanding construction costs of approximately RMB301.94 million (equivalent to approximately HK$360.27 million) committed for warehouse facilities of Wuhan project.

(v) the outstanding consideration of approximately RMB84.09 million (equivalent to approximately HK$100.34 million) payable for the Datong Warehouse project, a wholly-owned subsidiary of the Group if the transaction is successfully completed;

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital commitments (Continued)

(vi) the outstanding consideration of approximately RMB163.12 million (equivalent to approximately HK$194.63 million) payable for the Shenyang project, a 80% subsidiary of the Group if the transaction is successfully;

(vii) the outstanding consideration of approximately RMB147.92 million (equivalent to approximately HK$176.5 million) payable for the Xiamen Xunda project, a 80% subsidiary of the Group;

(viii) the outstanding consideration of approximately RMB97.83 million (equivalent to approximately HK$116.74 million) payable for the Meishan Xunda project, a 60% subsidiary of the Group; and

(ix) the outstanding consideration of approximately RMB23.52 million (equivalent to approximately HK$28.06 million) payable for the Jingchangshun project, a wholly-owned subsidiary of the Group and which was completed on 19 January 2016;

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business. Meanwhile, fluctuations of exchanges rates would impact our net assets value due to currency translation upon consolidation. If RMB appreciates/depreciated against Hong Kong dollar, the Group would record a(n) increase/decrease in our net assets value, as part of the Group's borrowings and cash balances are denominated in HKD and USD. During the Fiscal Year 2015, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposure to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on our Group.

Significant investments and acquisitions

(a) *Formation of a New Joint Venture Company in Tianjingang*

On 24 June 2015, BIPL entered into the joint venture agreement pursuant which a new joint venture company will be established to invest in the Tianjingang Project. The Tianjingang Project will occupy a total land area of approximately 394,000 m^2 and will be developed in two phases. Phase I is located in the Tianjin Free Trade Pilot Zone, and will occupy a land area of approximately 176,000 m^2. The land will be developed into a complex including general warehouse facilities of approximately 20,000 m^2, bonded cold storage warehouse facilities of approximately 14,000 m^2, custom bonded warehouse of approximately 9,700 m^2, office of approximately 8,000 m^2 and container depot of approximately 4,600 m^2. Phase II is located outside the Tianjin Free Trade Zone and is connected to the land of Phase I, and will occupy a land area of approximately 218,000 m^2. The land of Phase I of the project will be acquired first while the acquisition of the land of Phase II will be decided by the new joint venture company. As at the date of this report, the transaction has not been completed and is subject to fulfillment of certain conditions precedent. Further details of the formation of a new joint venture company had been set out in the Company's announcement dated 24 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investments and acquisitions (Continued)

(b) *Acquisition of 80% equity interest in Datong Warehouse Company Ltd.*

On 22 September 2015, the Group entered into a framework agreement with an independent third party to acquire 80% equity interest in Datong Warehouse Company Ltd at a consideration RMB140,092,500 (subject to the adjustment mechanism as set out in the framework agreement). This project will be developed a logistics warehouse with auxiliary facilities of approximately 50,226 m^2 in Chengmai County, Haikou City of Hainan Province, the PRC. As at the date of this report, the transaction has not been completed and is subject to fulfillment of certain conditions precedent. Further details of the acquisition had been set out in the Company's announcement dated 22 September 2015.

(c) *Acquisition of Land Use Rights in The Majuqiao Logistics Park, PRC*

On 3 November 2015, BIPL made a successful bid for the land use right for two parcels of land of approximately 350.6mu (the "Site") through open tender auction organized and held by the Beijing Land Reserve Center Tongzhou Center, at a cash consideration RMB369,888,475. The Site is allowed for warehouse development, with land use right of 50 years and the consideration had been fully paid on 24 November 2015.

(d) *Acquisition of 80% equity interest in He Chao Logistics*

On 6 November 2015, the Group entered into a framework agreement with an independent third party to acquire the 80% equity interest in He Chao Logistics at a consideration of not more than RMB151,687,360 (subject to the adjustment mechanism as set out in the framework agreement). This project will be developed into a logistics warehouse with auxiliary facilities of approximately 52,422 m^2 in Yuhong District, Shenyang City of Liaoning Province, the PRC. As at the date of this report, the transaction has not been completed and is subject to fulfillment of certain conditions precedent. Further details of the acquisition had been set out in the Company's announcement dated 6 November 2015.

(e) *Acquisition of 80% and 60% equity interest in Xiamen Xunda and Meishan Xunda*

On 17 November 2015, the Group entered into agreements with independent third parties pursuant to which Ocean Lord and Speedy Treasure will acquire 80% equity interests in Xiamen Xunda at a consideration of approximately RMB172,920,000 (subject to adjustment mechanism as set out in the agreement) and 60% equity interests in Meishan Xunda at a consideration of approximately RMB122,830,000 (subject to adjustment mechanism as set out in the agreement), respectively. The project in Xiamen is located in the Tongan Industrial Park, the land had been developed into five warehouse with aggregate rentable area of approximately 79,923 m^2. The project in Meishan is located in the Meishan Economic Development Zone, the land had been developed into four warehouses with aggregate rentable area of approximately 97,809 m^2. The transactions were completed on 1 April 2016. Further details of the acquisition had been set out in the Company's announcement dated 17 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investments and acquisitions (Continued)

(f) *Acquisition of 80% equity interest in Jingchangshun*

On 27 November 2015, the Group entered into an agreement with an independent third party to acquire Vision Crystal Limited which held 80% equity interests in Jingchangshun, at a consideration of approximately RMB40,000,000. This project is engaged in operation of cold logistics storage facilities in Chengyang district of Qingdao, the PRC. The cold warehouse is approximately 6,785.84 m^2 and has storage capacity of approximately 13,000 tones. The transaction was completed on 19 January 2016. Further details of the acquisition had been set out in the Company's announcement dated 27 November 2015.

Charges on assets

As at 31 December 2015, the Group had bank loans with principal amounts of approximately HK$1,514.14 million being secured by certain investment properties, cash and bank balances, trade receivables, deposits paid for the acquisition of a business and an office premise and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 31 December 2015, the Group had no pending litigation.

Operating income guarantee fulfilment

Pursuant to the sale and purchase agreement dated 6 March 2013 in relation to the acquisition of entire interest in Hong Kong High Broad International Investment Group Limited, the vendors have guaranteed that the actual operating income of the WSL Logistics for 3 years commencing from the date of the completion shall be at least RMB14,000,000 per year ("Guaranteed Amount") and have undertaken to indemnify and pay to the WSL Logistics any shortfall by cash for each of the said 3 years. On the other hand, if the actual operating income of the WSL Logistics for each of the said 3 years exceeds the Guaranteed Amount, the Company has undertaken to pay, or to procure WSL Logistics to pay, the vendors all amount exceeding the Guaranteed Amount. The actual operating income of WSL Logistics for the second year was reported to be approximately RMB13.94 million which was less than the Guaranteed Amount. The vendors need to pay the shortfall to the WSL Logistics.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 530 (2014: 549) employees. Total staff costs incurred during the Fiscal Year 2015 amounted to approximately HK$90.86 million (2014: approximately HK$117.23 million) (including staff cost, directors' remuneration and equity settled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management and the Remuneration Committee of the Board. Apart from pension funds, discretionary bonuses and share options are also awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company strongly committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board currently consists of twelve directors: comprising seven executive Directors, namely, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Jiang Xinhao, Mr. Yu Luning, Mr. Ang Renyi and Mr. Hu Yebi; and five independent non-executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The principal function of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisitions and disposal, and connected transactions, and to monitor the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the chief executive officer, chief financial officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. Newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2015.

Directors	Read materials	Attending seminars/ briefing
Executive directors		
Mr. Yu Li	✓	
Mr. Qian Xu	✓	✓
Mr. Jiang Xinhao	✓	✓
Mr. Siu Kin Wai	✓	✓
Mr. Yu Luning	✓	
Mr. Ang Renyi	✓	
Mr. Hu Yebi		
Mr. Lui Xeheng (resigned on 23 December 2015)	✓	
Independent non executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓
Mr. Song Lishui	✓	
Mr. Chan Yuk Cheung	✓	

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2015 were set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	4	2	3	2	2
Name of director	**Number of meetings attended**				
Executive directors					
Mr. Yu Li	4/4	N/A	N/A	N/A	0/2
Mr. Qian Xu	4/4	N/A	N/A	2/2	0/2
Mr. Siu Kin Wai	4/4	N/A	N/A	N/A	2/2
Mr. Jiang Xinhao	4/4	N/A	N/A	N/A	0/2
Mr. Yu Luning	4/4	N/A	3/3	2/2	0/2
Mr. Ang Renyi	4/4	N/A	N/A	N/A	0/2
Mr. Hu Yebi	N/A	N/A	N/A	N/A	N/A
Mr. Liu Xueheng (resigned on 23 December 2015)	2/3	N/A	N/A	N/A	0/2
Independent non-executive directors					
Mr. Goh Gen Cheung	4/4	2/2	3/3	2/2	2/2
Mr. Zhu Wuxiang	4/4	2/2	N/A	N/A	0/2
Mr. James Chan	4/4	2/2	3/3	2/2	2/2
Mr. Song Lishui	4/4	2/2	3/3	2/2	1/2
Mr. Chan Yuk Cheung	2/4	0/2	2/3	1/2	0/2

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The nomination committee will be mainly responsible for identifying suitable and competent candidates for board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the nomination committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the nomination committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the nomination committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The nomination committee will review the policy from time to time, including conducting assessments on the effectiveness of the policy. The nomination committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year, no claim was made against the directors and officers of the Company.

VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Until now, the Board has not elected and appointed chairman of the Company. All the chairman's duties and responsibilities are temporarily performed by the vice-chairman of the Company.

During the financial year ended 31 December 2015, the positions of the vice-chairman and the chief executive officer of the Company were held separately. The vice-chairman of the Company is Mr. Yu Li and the chief executive officer of the Company is Mr. Qian Xu. The segregation of duties of the vice-chairman and the chief executive officer ensures a clear distinction in the vice-chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year under review.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2015, except as disclosed herein below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the code provision E.1.2, the chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. Mr. Zhou Si has resigned as a chairman of the Company from 21 January 2014. Until now the Board has still not elected and appointed chairman of the Company. All the Chairman's duties and responsibilities are temporary performed by the vice-chairman of the Company. However, in the Annual General meeting held on 15 June 2015 (the "2015 AGM"), our vice-chairman was unable to attend the meeting due to his other commitments. He appointed Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company, to chair the meeting on his behalf and chairmen of the Audit, Remuneration and Nomination Committees had also attended the 2015 AGM.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Goh Gen Cheung (Chairman), Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Audit Committee is chaired by Mr. Goh Gen Cheung who is an associate member of the Chartered Institute of Bankers and has over 30 years of treasury, finance and banking experience. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 24 March 2016, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

Summary of the work during the year, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance.

The Group's annual report for the year ended 31 December 2015 has been reviewed by the Audit Committee.

For details of the terms of reference of Audit Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Management" and it is also available on request with the Company's investor relations.

Investment and Risk Management Committee

The Investment and Risk Management Committee was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Hu Yebi (Chairman), Mr. Qian Xu, Mr. Jiang Xinhao, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang, and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive Directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of independent non-executive Directors to join the committee to provide independent and professional opinion.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Investment and Risk Management Committee (Continued)

Summarising the work done during the year, the Investment and Risk Management Committee reviewed and assessed all acquisitions and investments proposed by the senior management in terms of their benefits to the Company and the potential risks associated. For details of the terms of reference of Investment and Risk Management Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management with the Board retaining the final authority to approve executive Directors' and senior management remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration.

Summarising the work done during the year, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive Directors and senior management taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

For details of the terms of reference of Remuneration Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung, Mr. Qian Xu, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 August 2013, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Nomination Committee is mainly responsible for formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and board succession.

Summarising the work done during the year, the Nomination Committee has reviewed the size, structure, composition, capability and diversity of the Board.

For details of the terms of reference of Nomination Committee, please refer to the Company's website under the section headed "Management" and it is also available on request with the Company's investor relations.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, external auditors' remuneration for annual audit services was approximately HK$3.8 million; and external auditors' remuneration for non-audit service assignments was approximately HK$2.1 million, which represented agree-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments for potential acquisitions. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

During the year ended 31 December 2015, the Board reviewed the operational and financial reports, budgets and business plans provided by the management.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically, sometimes will be done with assistance from independent experts, to review and enhance the internal control system.

COMPANY SECRETARY

The company secretary of the Company is Mr. Siu Kin Wai, who is also the chief financial officer, chief operating officer and executive Director of the Company. He is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Certified Accountants in England and Wales. Mr. Siu has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 59 to 60 of the "Independent Auditors' Report" in this annual report.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2015, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will provide shareholders with the latest development of the Group as well as the residential, commercial and logistics property industry.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2015. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in the investment, development and operation of logistics infrastructure facilities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 61 to 156. The Board does not recommend the payment of any dividend for the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 8 to 9 of this Annual Report. The financial risk management objectives and policies of the Group can be found in the note 48 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in the note 49 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the management discussion and analysis on pages 10 to 28. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the group are contained in the Report of The Directors on pages 39 to 40 of this Annual Report.

ENVIRONMENTAL POLICY

The Group believes that sustainable development is an integral part of our business. We aim at creating long-term values for our stakeholders and contributing to the society by carrying out our business in a socially responsible way. The Group is committed to support the environmental sustainability and comply with PRC national, provincial and municipal governments' environmental protection laws and regulations. These include regulations on air pollution and discharge of waste and water into the environment. The Company is also dedicated to promote energy conservation and responding proactively to climatic changes, so as to facilitate efficient use of energy by taking several measures including constantly carries out internal recycling measures in terms of its consumables (e.g. Toner cartridge and paper) and implementing energy-saving policies to reduce electricity consumption, in order to lessen the impact on environment from operating activities to achieve the target of sustainable development.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulation by our Group that has a significant impact on the business and operations of our Group.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that our employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establish a close and caring relationship with its employees, provides competitive remuneration package to attract and motive the employees, and regularly reviews the remuneration package in order to make necessary adjustments to conform to the market standard. The selection of major suppliers or contractors is conducted through procurement assessment or tendering process and regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner. The Group is committed to provide quality of service to satisfy needs and requirements of our customers and enhance cooperation with its business partners by ongoing communication in a proactive and effective manner.

KEY RISKS AND UNCERTAINTIES

The Group primarily leases the warehouse facilities to customers including both logistics companies and companies with significant storage requirements such as e-commerce business operators and freight forwarders. The business and prospects depend heavily on the storage requirements of its customers, which are in turn affected by the activity levels of domestic consumption and cross border trading. The global economic condition was complicated. The economic growth in China has comparatively slowed down under downward pressure, it could have a significant impact on the customers' businesses and affect the demand for warehouse facilities in China. Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy level, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their lease upon expiration or that the Group will be able to find replacement tenants, or even replacement tenants are found, they will accept rental rates equal to or above the current rental rates for tenancies.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2015 are set out on page 158. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 157.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 36, 37 and 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 and 51 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves (including contributed surplus and retained profits) available for distribution to shareholders amounted to HK$333,339,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2015, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In addition, the Company's share premium account, in the amount of HK$1,705,102,000, as at 31 December 2015 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 21.53% of the Group's revenue for the year and revenue from the largest customer accounted for 5.14% of the Group's revenue for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Except for the transaction with Beijing Leading Edge Container Services Company Limited, which is an associate of a substantial shareholder of the Company, further details of which are set out in the section with heading "Continuing connected transactions" below, none of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Yu Li *(Vice Chairman)*
Mr. Qian Xu *(Chief Executive Officer)*
Mr. Siu Kin Wai *(Chief Financial Officer, Chief Operating Officer and Company Secretary)*
Mr. Jiang Xinhao
Mr. Yu Luning
Mr. Ang Renyi
Mr. Hu Yebi
Mr. Liu Xueheng (resigned on 23 December 2015)

Independent non-executive directors ("INEDs"):

Mr. Goh Gen Cheung
Mr. Zhu Wuxiang
Mr. James Chan
Mr. Song Lishui
Mr. Chan Yuk Cheung

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Yu Luning, Mr. Ang Renyi, Mr. Hu Yebi, Mr. Goh Gen Cheung and Mr. Zhu Wuxiang shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is set out as follows:

BOARD CHANGES

Mr. Liu Xueheng resigned as an executive director of the Company, the chairman of investment and risk management committee, and re-designated as the Company's consultant with effect from 23 December 2015.

Mr. Hu Yebi was appointed as an executive director of the Company and chairman of investment and risk management committee with effect from 23 December 2015.

REPORT OF THE DIRECTORS

CHANGES IN DIRECTORS' INFORMATION

Mr. Qian Xu and Mr. Siu Kin Wai were appointed as the non-executive Director of CAQ Holdings Limited with effect from 20 April 2015.

Mr. Chan Yuk Cheung was appointed as the deputy chairman of 中國一帶一路東盟金融發展工作促進委員會 during the year of 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 4 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung, INEDs of the Company, had entered into service agreements with the Company for a term of three years commencing on 1 May 2013, 1 January 2014, 3 June 2014, 3 December 2014 and 3 December 2014, respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 35 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 37 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions and Continuing Connected Transactions " below, there were no other transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Messrs. Yu Li, Qian Xu and Jiang Xinhao, being the Directors, were also directors of Beijing Enterprises Group Real Estate Co., Ltd, which engages in business of property investment and development, and they were considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains five independent non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the business of the aforesaid company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial owner	9,690,000	0.143
Mr. Hu Yebi	Controlled corporation	7,000,000	0.103
		16,690,000	0.246

Long position in underlying shares of the Company:

The interests of the Directors and chief executives in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital. Further details of the Scheme are disclosed in note 37 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2015 as follows:

Name or category of participant	At 1 January 2015	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2015	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
	Number of share options							
Directors:								
Mr. Yu Li	6,000,000	–	–	–	6,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	4,250,000	–	–	–	4,250,000	1-June-12	1-June-12 to 30-May-22	0.410
	11,000,000	–	–	–	11,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	4,000,000	–	–	–	4,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	5,000,000	–	–	5,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	34,250,000	5,000,000	–	–	39,250,000			
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	6,000,000	–	–	–	6,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	4,000,000	–	–	–	4,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	5,000,000	–	–	5,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	35,000,000	5,000,000	–	–	40,000,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	–	–	–	5,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	3,000,000	–	–	–	3,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	4,000,000	–	–	4,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	24,000,000	4,000,000	–	–	28,000,000			
Mr. Jiang Xinhao	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	3,300,000	–	–	–	3,300,000	1-June-12	1-June-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	2,000,000	–	–	–	2,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	3,000,000	–	–	3,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	20,300,000	3,000,000	–	–	23,300,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2015	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2015	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	5,000,000	–	–	–	5,000,000	1-June-12	1-June-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	1,000,000	–	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	3,000,000	–	–	3,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	19,000,000	3,000,000	–	–	22,000,000			
Mr. Ang Renyi	4,000,000	–	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	1,000,000	–	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	3,000,000	–	–	3,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	5,000,000	3,000,000	–	–	8,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	1,837,700	–	–	–	1,837,700	1-June-12	1-June-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	7,337,700	1,000,000	–	–	8,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	5,500,000	1,000,000	–	–	6,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	–	1,000,000	–	–	1,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	5,500,000	1,000,000	–	–	6,500,000			
Mr. Song Lishui	–	1,000,000	–	–	1,000,000	8-April-15	8-April-15 to 7-April-25	0.720
Mr. Chan Yuk Cheung	–	1,000,000	–	–	1,000,000	8-April-15	8-April-15 to 7-April-25	0.720

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2015	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2015	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Mr. Liu Xueheng*	5,000,000	–	–	–	5,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-March-14	31-March-14 to 30-March-24	0.940
	1,000,000	–	–	–	1,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	3,000,000	–	–	3,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	14,000,000	3,000,000	–	–	17,000,000			
Other employees and consultants in aggregate:	156,000,000	–	(5,000,000)	–	151,000,000	28-October-11	28-October-11 to 27-October-21	0.465
	268,925,400	–	(5,000,000)	–	263,925,400	1-June-12	1-June-12 to 30-May-22	0.410
	129,000,000	–	(6,000,000)	–	123,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	146,500,000	–	–	–	146,500,000	31-March-14	31-March-14 to 30-March-24	0.940
	24,000,000	–	–	–	24,000,000	28-August-14	28-August-14 to 27-August-24	0.750
	–	53,000,000	–	–	53,000,000	8-April-15	8-April-15 to 7-April-25	0.720
	724,425,400	53,000,000	(16,000,000)	–	761,425,400			
	894,313,100	84,000,000	(16,000,000)	–	962,313,100			

Notes:

* Mr. Liu Xueheng has been re-designated as the Company's consultant upon his resignation from executive Director on 23 December 2015.

Notes:

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.77 per share. The closing price of the Company's shares immediately before the date of grant of Share Options on 8 April 2015 on which the options were granted during the period was HK$0.68 per shares.

3. Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The Directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of share options granted during the year	Theoretical value of share options (HK$'000)
Mr. Yu Li	5,000,000	1,291
Mr. Qian Xu	5,000,000	1,291
Mr. Jiang Xinhao	3,000,000	774
Mr. Siu Kin Wai	4,000,000	1,033
Mr. Yu Luning	3,000,000	774
Mr. Ang Renyi	3,000,000	774
Mr. Goh Gen Cheung	1,000,000	258
Mr. Zhu Wuxiang	1,000,000	258
Mr. James Chan	1,000,000	258
Mr. Song Lishui	1,000,000	258
Mr. Chan Yuk Cheung	1,000,000	258
Mr. Liu Xueheng (resigned on 23 December 2015 and re-designated as a consultant of the Company)	3,000,000	774
Other employees and consultants	53,000,000	12,241
	84,000,000	20,242

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Assets Appraisal Limited, independent qualified professional valuers, using binomial model on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2015, the Group recognised the total expense of HK$20,242,000 (2014: HK$66,848,000) in relation to share options granted by the Company.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, so far as was known to the Directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name	Notes	Number of shares held, capacity and nature of interest: Directly beneficially owned	Number of shares held, capacity and nature of interest: Through a controlled corporation	Number of underlying shares held, capacity and nature of interest: Directly beneficially owned	Number of underlying shares held, capacity and nature of interest: Through a controlled corporation	Total	Approximate percentage of the Company's issued share capital (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	23.02%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,417,076,407	1,557,792,500	–	–	3,974,868,907	58.74%
北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.)	(c)	–	3,974,868,907	–	–	3,974,868,907	58.74%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.29%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.49%
Beijing Enterprises Group Company Limited	(f)	–	4,549,486,560	–	–	4,549,486,560	67.23%
Thular Limited	(g)	354,400,000	–	–	–	354,400,000	5.24%
Kerry Holdings Limited	(g)	–	354,400,000	–	–	354,400,000	5.24%
Kerry Group Limited	(g)	–	354,400,000	–	–	354,400,000	5.24%
PA Broad Opportunity VI Limited	(h)	–	–	838,573,244	–	838,573,244	12.39%
Pacific Alliance Asia Opportunity Fund L.P.	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Group Asset Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Group Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Investment Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
PAG Holdings Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,417,076,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). BE Real Estate is deemed to be interested in the Shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.

(e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares of Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of BE Group. BE Group is deemed to be interested in the Shares which BE Real Estate and BHL are interested in.

(g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 354,400,000 Shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the Shares held by Thular.

(h) PA Broad Opportunity VI Limited holds 838,573,244 underlying shares through its ownerships in the convertible bonds with principal amount of RMB490,510,000 (equivalent to approximately US$80,000,000) of the Company which are convertible at HK$0.74 per Share.

Save as disclosed above, as at 31 December 2015, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and at arm's length basis. Certain transactions set out in note 45 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.45 of the Listing Rules are provided in the paragraph headed "Connected Transactions" as identified below.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

On 22 July 2015, China Hui Ying Food (Holdings) Co., Limited (a wholly owned subsidiary of the Company) and China Hui Ying Cold Chain (Holdings) Co., Limited ("Hui Ying Cold Chain") entered into the shareholders and subscription agreement with Maple Garden Group Limited ("Maple Garden"). Maple Garden agreed to subscribe for and Hui Ying Cold Chain agreed to issue subscription shares representing 49% of the issued share capital of it as enlarged by the issue of the subscription shares. The consideration for the subscription by Maple Garden is US$21,556,239, which shall be paid in cash upon completion. In addition, a provision of corporate guarantee was given by the Company to secure the banking facilities of RMB140,000,000 granted to Tianjin Zhongyu Properties Co., Ltd. ("Tianjin Zhongyu") before the subscription, It becomes a connected transaction due to Hui Ying Cold Chain will become a connected subsidiary of the Company upon completion. Maple Garden is 50% indirectly owned by Mr. Ang Renyi, an executive Director of the Company, Maple Garden thus is an associate of Mr. Ang Renyi and a connected person of the Company. The subscription agreement and the provision of corporate guarantee constitute connected transactions of the Company which are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of the transaction were set out in the Company's circular dated 23 September 2015.

Continuing connected transactions

The Group had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) On 29 June 2015, the Company entered into the deposit services master agreement (the "Deposit Services Master Agreement") with Beijing Enterprises Group Finance Co., Ltd. ("BG Finance"), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. The Deposit Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since BG Finance is not considered to be exposed to any significant capital risk. The annual cap for each of the three years ending 31 December 2015, 2016 and 2017 is HK$250 million.

The rate at which interest will accrue on any deposit placed by the Group with BG Finance under the Deposit Services Master Agreement will not be lower than the following:

i. the minimum interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;

ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and

iii. the interest rates offered by BG Finance to other members of Beijing Enterprises Group Company Limited for the same type of deposits.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(a) (Continued)

Each of BE Group and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a substantial shareholder of the Company. As each of BE Group and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BE Group and BEHL.

The Company's ultimate controlling shareholder BE Group owns not less than 30% equity interest in BG Finance, BG Finance is an associate of BE Group and is therefore a connected person of the Company. The entering into of the Deposit Services Master Agreement constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap. Further details of the transaction were set out in the Company's announcement dated 29 June 2015.

(b) On 18 November 2015, Tianjin Zhongyu entered into the entrusted operation management agreement with 天津中盈冷鏈物流有限公司 ("Tianjin Zhongying"), pursuant to which the provision of operation management services by Tianjin Zhongying to Tianjin Zhongyu in respect of the property, including two cold warehouses with mechanical facilities compartment, one office building and car park, of a total land area of 66,000 m^2. The annual cap for the continuing connected transactions contemplated under the entrusted operational management agreement is RMB4,200,000 which is the annual management fee payable. Tianjin Zhongyu is held as to 60% indirectly by the Company, 20% by Zhang Junqing and 20% by Zhang Guoqing. Tianjin Zhongying is owned by two shareholders, namely, Zhang Junqing (55% equity interest) and Zhang Guoqing (45% equity interest). Therefore, Tianjin Zhongying is an associate of Zhang Junqing and Zhang Guoqing and is a connected person of the Company. Accordingly, the transactions contemplated under the entrusted operation management agreement constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap. Further details of the transaction were set out in the Company's announcement dated 18 November 2015.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) On 1 August 2013, 天津萬士隆國際物流有限公司 ("WSL Logistics"), a non-wholly owned subsidiary of the Company, entered into tenancy agreements with 天津萬士隆集團有限公司 ("Tianjin WSL"), 天津萬士隆物業管理有限公司 ("Tianjin WSL Estate Management"), 天津君融實業有限公司 ("Tianjin Junrong") and 天津萬士隆貨運有限公司 ("Tianjin WSL Huoyun"). Tianjin WSL holds 30% equity interest in each of WSL Logistics and Tianjin WSL Huoyun and 100% equity interest, in each of Tianjin WSL Estate Management and Tianjin Junrong. On 3 November 2014, WSL Logistics and Tianjin WSL Estate Management entered into a termination agreement for the lease at Zone E2-101 of the customs warehouse, and entered into a new tenancy with Tianjin WSL File Management Service Ltd. ("Tianjin WSL File Management") to take over the lease for the remaining period. On 1 January 2015, WSL Logistics and Tianjin WSL Estate Management entered into a termination agreement for the lease at Zone A16 of custom warehouse, and entered into a new tenancy with Tianjin WSL File Management to take over the lease for the remaining period effective on 1 January 2015. WSL Logistics and Tianjin WSL File Management entered into a supplemental tenancy agreement to reduce the leased area from 182.45 square metres to 85.59 m^2 for the remaining period effective on 1 January 2015 and the new tenancy signed with Tianjian Junrong to take over the leased area of 96.86 m^2 for the remaining period effective on 1 January 2015. On 28 August 2015, WSL Logistics and Tianjin WSL Huoyun entered into a termination agreement for the lease at Zone B15 of the customs warehouse.

Details of the tenancy agreements are as follows:

Tenant		Premises	Approximate area	Rental income for the year ended 31 December 2015	Annual Cap
1.	Tianjin WSL	Office at Zone E1-101 of the Customs Warehouse, Tianjin, the PRC	339.29 m^2	RMB222,914	RMB246,436
2.	Tianjin Junrong	Office at Zone E2-102 of the Customs Warehouse, Tianjin, the PRC	156.84 m^2	RMB103,044	RMB113,918
		Office at Zone E2-101-1 and E2-101-2 of the Customs Warehouse, Tianjin, the PRC	96.86 m^2	RMB63,637 [3]	RMB70,352
3.	Tianjin WSL Huoyun	Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, the PRC	221.82 m^2	RMB145,736	RMB272,489
		Warehouse at Zone B15 of the Customs Warehouse, Tianjin, the PRC	387.22 m^2	RMB142,224 [1]	RMB234,374

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) (Continued)

	Tenant	Premises	Approximate area	Rental income for the year ended 31 December 2015	Annual Cap
4.	Tianjin WSL Estate Management	Warehouse at Zone A16 of the Customs Warehouse, Tianjin, the PRC	601.5 m^2	Nil [2]	RMB242,715
5.	Tianjin WSL File Management	Warehouse at Zone A16 of the Customs Warehouse, Tianjin, the PRC	601.5 m^2	RMB207,120 [2]	RMB242,715
		Office at Zone E2-101 of the Customs Warehouse, Tianjin, the PRC	182.45 m^2	Nil [3]	RMB132,519
		Office at Zone E2-101 of the Customs Warehouse, Tianjin, the PRC	85.59 m^2	RMB56,233 [3]	RMB62,167

In addition, pursuant to a management service agreement entered into between WSL Logistics and Tianjin WSL Estate Management. WSL Logistics acquired estate management services from Tianjin WSL Estate Management. During the year ended 31 December 2015, the management fee expense was RMB300,000.

On 20 November 2014, Transwealth Logistics (Tianjin) Co., Ltd ("Transwealth Logistics") and Tianjin WSL Estate Management entered into a property management services agreement in respect of the property comprising warehouses and office located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. During the year ended 31 December 2015, the management fee expense was RMB200,000.

The conclusion of the above tenancy agreements and property management services agreements constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) (Continued)

Further details of the tenancy agreements and the management agreement were set out in the Company's announcements dated 1 August 2013, 15 January 2015 and 16 January 2015.

1. The tenancy agreement was terminated with Tianjin WSL Huoyun on 28 August 2015
2. The tenancy agreement was terminated with Tianjin WSL Estate Management and then the new tenancy signed with Tianjin WSL File Management to take over the lease for the remaining period effective on 1 January 2015
3. The supplemental tenancy agreement signed with Tianjin WSL File Management to reduce the leased area from 182.45 m^2 to 85.59 m^2 for the remaining period effective on 1 January 2015 and the new tenancy signed with Tianjian Junrong to take over the leased area of 96.86 m^2 for the remaining period effective on 1 January 2015

The Directors of the Company confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company had reviewed these continuing connected transactions and confirmed that these continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

PERMITTED INDEMNITY PROVISION

The bye-laws provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DONATIONS

The Group's charitable donations during the year amounted to RMB6,200 (approximately HK$7,398)

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, the convertible bonds as disclosed in note 32 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2015 or subsisted at the end of the year.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
31 October 2013	Term loan facility with a syndicate of banks	USD120 million	October 2016	Note 1
24 January 2014	Subscription agreement for issuance of convertible bonds	RMB490.51 million	February 2019	Note 2
25 August 2015	Term loan facility with a bank	USD25 million	Earlier of February 2017, final maturity date or refinancing date of the fore said term loan facility with a syndicate of banks of USD120 million	Note 1
12 November 2015	Subscription agreement for issuance of bonds	USD294.5 million	November 2018	Note 1

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company, to cure such default within the time specified by the banks. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

2. The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality does not, directly or indirectly, through BE Group or other companies under its supervision and control, holds at least 40% of the Company's issued and outstanding capital stock or does not control the Company. If the Company fails to perform or comply with this, the holder(s) of the convertible bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's convertible bonds of their early redemption amount together with any interest accrued but unpaid to such date.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 49 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2015 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code, except as disclosed in Corporate Governance Report.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2015 were approved by the Board on 24 March 2016.

ON BEHALF OF THE BOARD
Yu Li
Vice Chairman

Hong Kong
24 March 2016

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Beijing Properties (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries set out on pages 61 to 156, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**296,572**	202,983
Cost of sales and services		**(65,211)**	(36,345)
Gross profit		**231,361**	166,638
Fair value gain on investment properties, net	14	**99,344**	314,951
Gain on disposal of subsidiaries	40	**202,241**	–
Gain on a debt restructuring	6	**–**	90,585
Gain on bargain purchase of a subsidiary	39	**–**	58,876
Gain on disposal of an associate	18(i)	**174,335**	–
Gain on deemed disposal of a partial interest in an associate	18(i)	**46,593**	–
Other income	5	**48,091**	28,824
Selling and distribution expenses		**(17,555)**	(5,832)
Administrative expenses		**(191,747)**	(180,004)
Provision for compensation, net		**(12,394)**	(2,238)
Other expenses		**(83,013)**	(32,006)
Finance costs	7	**(178,850)**	(123,918)
Share of profits and losses of:			
Joint ventures	17(b)	**4,676**	(20,440)
Associates	18	**(381)**	2,773
PROFIT BEFORE TAX	8	**322,701**	298,209
Income tax	11	**(67,118)**	(107,199)
PROFIT FOR THE YEAR		**255,583**	191,010
Attributable to:			
Shareholders of the Company		**258,454**	166,876
Non-controlling interests		**(2,871)**	24,134
		255,583	191,010
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic		**HK3.82 cents**	HK2.52 cents
Diluted		**HK3.80 cents**	HK2.43 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**255,583**	191,010
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Available-for-sale equity investments:			
Changes in fair value, net of income tax of nil	19	**(46,682)**	–
Reclassification adjustment for an impairment loss recognised in profit or loss	19	**18,332**	–
– Exchange differences:			
Translation of foreign operations		**(184,101)**	(72,949)
Reclassification adjustments upon			
– disposal of subsidiaries	40	**2,343**	–
– disposal of an associate		**19,348**	–
– Share of other comprehensive income/(loss) of:			
Joint ventures		**(20,021)**	(24,846)
Associates		**(20,512)**	447
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(231,293)**	(97,348)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Actuarial losses of defined benefit plans	34(b)	**(1,909)**	(2,316)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX OF NIL		**(233,202)**	(99,664)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,381**	91,346
Attributable to:			
Shareholders of the Company		**30,523**	70,693
Non-controlling interests		**(8,142)**	20,653
		22,381	91,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**946,002**	887,181
Investment properties	14	**5,016,741**	5,209,917
Prepaid land lease payments	15	**19,763**	250,112
Goodwill	16	**62,769**	212,650
Investment in a joint venture	17	**526,430**	451,072
Investment in an associate	18	**–**	478,365
Available-for-sale equity investments	19	**740,069**	3,541
Deposits paid for acquisitions of businesses and an interest in a joint venture	20	**186,482**	138,601
Deposits paid for acquisitions of an investment property and a building		**11,932**	135,642
Prepayments, deposits and other receivables	24	**5,860**	53,321
Total non-current assets		**7,516,048**	7,820,402
CURRENT ASSETS			
Properties held for sale	21	**96,932**	101,471
Inventories	22	**1,015**	1,253
Trade receivables	23	**14,979**	13,085
Prepayments, deposits and other receivables	24	**228,447**	80,806
Due from a joint venture	17	**252,962**	295,537
Due from related companies	25	**736**	1,023
Restricted cash	26	**277,682**	927,154
Cash and cash equivalents	26	**3,077,743**	314,602
Total current assets		**3,950,496**	1,734,931
CURRENT LIABILITIES			
Trade payables	27	**141,150**	73,115
Other payables and accruals	28	**294,268**	257,121
Due to a joint venture	17	**–**	4,163
Due to related companies	25	**634**	11,340
Bank and other borrowings	29	**1,807,907**	844,985
Redeemable and convertible equity instrument	30	**609,725**	638,287
Income tax payables		**27,755**	8,226
Provision for compensation	31	**497,329**	513,096
Total current liabilities		**3,378,768**	2,350,333
NET CURRENT ASSETS/(LIABILITIES)		**571,728**	(615,402)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,087,776**	7,205,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT LIABILITIES			
Due to related companies	25	**32,160**	238,095
Bank and other borrowings	29	**224,322**	1,459,417
Convertible bonds	32	**413,074**	391,219
Guaranteed bonds	33	**2,258,365**	–
Defined benefit plans	34	**16,609**	15,089
Deferred tax liabilities	35	**682,562**	789,212
Total non-current liabilities		**3,627,092**	2,893,032
Net assets		**4,460,684**	4,311,968
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	36	**676,659**	675,059
Reserves	38	**3,543,761**	3,486,778
		4,220,420	4,161,837
Non-controlling interests		**240,264**	150,131
Total equity		**4,460,684**	4,311,968

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to shareholders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 38)	Capital reserve HK$'000	Convertible bond equity reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000 (note 38)	Defined benefit plan reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
At 1 January 2014		624,312	1,400,021	367,278	115,318	5	258	–	127,788	2,705	–	792,514	3,430,199	67,233	3,497,432
Profit for the year		–	–	–	–	–	–	–	–	–	–	166,876	166,876	24,134	191,010
Other comprehensive loss for the year:															
– Exchange differences:															
Translation of foreign operations		–	–	–	–	–	–	–	(70,047)	–	–	–	(70,047)	(2,902)	(72,949)
– Share of other comprehensive income/(loss) of:															
Joint ventures		–	–	–	–	–	–	–	(24,846)	–	–	–	(24,846)	–	(24,846)
Associates		–	–	–	–	–	–	–	447	–	–	–	447	–	447
– Actuarial losses of defined benefit plans		–	–	–	–	–	–	–	–	–	(1,737)	–	(1,737)	(579)	(2,316)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	(94,446)	–	(1,737)	166,876	70,693	20,653	91,346
Issue of shares upon exercise of shares options	36(a)	1,830	10,641	–	(3,982)	–	–	–	–	–	–	–	8,489	–	8,489
Issue of shares upon conversion of convertible bonds	32, 36(b)	200	1,204	–	–	–	(172)	–	–	–	–	–	1,232	–	1,232
Issue of share upon acquisition of receivables	36(c),(d)	48,717	283,007	–	–	–	–	–	–	–	–	–	331,724	–	331,724
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	–	–	220,171	220,171
Acquisition of a non-controlling interest		–	–	–	–	5,331	–	–	–	–	–	–	5,331	(157,926)	(152,595)
Equity-settled share option arrangements	37(a)	–	–	–	66,848	–	–	–	–	–	–	–	66,848	–	66,848
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	32	–	–	–	–	–	(86)	–	–	–	–	86	–	–	–
Issue of convertible bonds	32	–	–	–	–	–	247,321	–	–	–	–	–	247,321	–	247,321
Transfer between reserves		–	–	–	–	–	–	–	–	299	–	(299)	–	–	–
At 31 December 2014 and 1 January 2015		675,059	1,694,873*	367,278*	178,184*	5,336*	247,321*	–*	33,342*	3,004*	(1,737)*	959,177*	4,161,837	150,131	4,311,968
Profit for the year		–	–	–	–	–	–	–	–	–	–	258,454	258,454	(2,871)	255,583
Other comprehensive income/(loss) for the year:															
– Available-for-sale investments:															
Changes in fair value net of income tax of nil		–	–	–	–	–	–	(46,682)	–	–	–	–	(46,682)	–	(46,682)
Reclassification adjustment for an impairment loss recognised in profit or loss		–	–	–	–	–	–	18,332	–	–	–	–	18,332	–	18,332
– Exchange differences															
Translation of foreign operations		–	–	–	–	–	–	–	(178,830)	–	–	–	(178,830)	(5,271)	(184,101)
Reclassification adjustments upon															
– disposal of subsidiaries		–	–	–	–	–	–	–	2,343	–	–	–	2,343	–	2,343
– disposal of an associate		–	–	–	–	–	–	–	19,348	–	–	–	19,348	–	19,348
– Share of other comprehensive loss of:															
Joint ventures		–	–	–	–	–	–	–	(20,021)	–	–	–	(20,021)	–	(20,021)
Associates		–	–	–	–	–	–	–	(20,512)	–	–	–	(20,512)	–	(20,512)
– Actuarial losses of defined benefit plans		–	–	–	–	–	–	–	–	–	(1,909)	–	(1,909)	–	(1,909)
Total comprehensive income for the year		–	–	–	–	–	–	(28,350)	(197,672)	–	(1,909)	258,454	30,523	(8,142)	22,381
Issue of shares upon conversion of shares options	36(a), 37	1,600	10,229	–	(4,011)	–	–	–	–	–	–	–	7,818	–	7,818
Disposal of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	–	(18,320)	(18,320)
Contribution from a non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	116,595	116,595
Equity-settled share option arrangements	37(a)	–	–	–	20,242	–	–	–	–	–	–	–	20,242	–	20,242
At 31 December 2015		676,659	1,705,102*	367,278*	194,415*	5,336*	247,321*	(28,350)*	(164,330)*	3,004*	(3,646)*	1,217,631*	4,220,420	240,264	4,460,684

* These reserve accounts comprise the consolidated reserves of HK$3,543,761,000 (2014: HK$3,486,778,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**322,701**	298,209
Adjustments for:			
Gains on bargain purchase of a subsidiary	39	**–**	(58,876)
Bank interest income		**(27,228)**	(8,255)
Other interest income		**(14,075)**	(18,751)
Gains on a debt restructuring	6	**–**	(90,585)
Gain on disposal of subsidiaries	40	**(202,241)**	–
Gain on disposal of an associate	18(i)	**(174,335)**	–
Gain on deemed disposal of a partial interest in an associate	18(i)	**(46,593)**	–
Loss on disposal of items of property, plant and equipment	8	**41**	132
Fair value gain on investment properties, net	14	**(99,344)**	(314,951)
Depreciation	13	**37,175**	15,720
Government grant		**(1,397)**	–
Amortisation of prepaid land lease payments	15	**3,095**	6,753
Provision for compensation, net	31	**12,394**	2,238
Equity-settled share option expense	37(a)	**20,242**	66,848
Cost of defined benefit plans	34(b)	**814**	1,045
Finance costs	7	**178,850**	123,918
Loss on impairment of an available-for-sale investment	19	**18,332**	–
Share of losses/(profits) of joint ventures	17(b)	**(4,676)**	20,440
Share of losses/(profits) of associates	18	**381**	(2,773)
Operating profit before working capital changes		**24,136**	41,112
Decrease/(increase) in inventories		**183**	(39)
Decrease/(increase) in trade receivables		**(2,064)**	12,738
Increase in prepayments, deposits and other receivables		**(21,319)**	(18,620)
Increase in amounts due from related companies		**–**	(1,013)
Increase/(decrease) in trade payables		**68,366**	(5,687)
Increase in other payables and accruals		**11,304**	12,625
Decrease in defined benefit plans		**(419)**	(403)
Settlement for compensation	31	**(4,955)**	(3,352)
Cash generated from operations		**75,232**	37,361
Mainland China income tax paid		**(15,250)**	(11,710)
Net cash flows generated from operating activities		**59,982**	25,651

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(16,219)**	(3,859)
Proceeds from disposal of items of property, plant and equipment		**86**	8
Capital contribution from a non-controlling shareholder		**116,595**	–
Government grant received		**21,320**	–
Acquisition of investment properties		**(279,529)**	(369,664)
Acquisition of an available-for-sale investment		**(29,523)**	–
Acquisition of subsidiaries	39	**–**	(247,041)
Investment in a joint venture		**(90,683)**	–
Net repayment from a joint venture		**10,871**	3,373
Net repayment of loan advanced to third parties		**380,737**	–
Advance to a third party		**(7,248)**	–
Acquisition of an associate	18(i)	**–**	(472,500)
Acquisition of a non-controlling interest		**–**	(62,000)
Proceeds from disposal of an associate		**24,982**	21,030
Proceeds from disposal of subsidiaries		**376,475**	–
Deposits paid for acquisitions of a business and an additional interest in a joint venture		**(186,482)**	(138,601)
Deposits paid for the acquisition of land use rights and a building		**(11,932)**	(99,404)
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**17,338**	(27,480)
Interest received		**69,210**	19,574
Net cash flows generated from/(used in) investing activities		**395,998**	(1,376,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net advance to related companies		**(1,795)**	(75,500)
New loans		**644,501**	1,357,268
Repayment of loans		**(1,123,646)**	(367,305)
Issue of convertible bonds		**–**	616,286
Issue of guaranteed bond		**2,256,760**	–
Issue of redeemable and convertible equity instrument		**–**	638,287
Redemption of convertible bonds	32	**–**	(650)
Interest paid		**(131,070)**	(65,801)
Exercise of share options	36(a)	**7,819**	8,489
Net cash flows generated from financing activities		**1,652,569**	2,111,074

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,108,549**	760,161
Cash and cash equivalents at beginning of year		**1,241,276**	468,154
Effect of foreign exchange rate changes, net		**22,458**	(14,039)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,345,282**	1,214,276
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits and restricted cash	26	**769,441**	227,980
Time deposits	26	**2,308,302**	86,622
Cash and cash equivalents as stated in the consolidated statement of financial position	26	**3,077,743**	314,602
Add: Restricted cash	26(b)	**277,682**	927,154
Non-pledged time deposits with maturity of more than three months when acquired		**(10,143)**	(27,480)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**3,345,282**	1,214,726

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- development and leasing of commercial properties in the mainland ("Mainland China") of the People's Republic of China (the "PRC") and provision of related management services, and operating a hotel in Beijing, the PRC; and
- provision of logistics services, including leasing of warehouse facilities and provision of related management services.

In the opinion of the directors, the immediate holding company of the Company is Beijing Enterprises Real Estate (HK) Limited ("BEREHK"), which is a limited liability company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is 北京控股集團有限公司 ("Beijing Enterprises Group"), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Company	Group	Principal activities
China Logistics Infrastructures (Holdings) Limited ("China Logistics")	British Virgin Islands/ Hong Kong	US$1.00	100	100	Investment holding
衢州通成農業發展有限公司 ("Quzhou Tongcheng")^#	PRC/Mainland China	RMB49,800,000	–	100	Logistics facilities development
天津萬士隆國際物流有限公司#	PRC/Mainland China	US$6,660,000	–	70	Provision of logistics services
天域萬隆物流(天津)有限公司^#	PRC/Mainland China	US$6,500,000	–	70	Logistics facilities development
北建(上海)倉儲有限公司 (formerly known as 上海凡宜和倉儲有限公司) ("Phoenix Shanghai")^	PRC/Mainland China	US$98,500,000	–	100	Provision of logistics services

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Company	Group	Principal activities
北京金都假日飯店有限公司 ("Holiday Inn BJ")#	PRC/Mainland China	US$11,520,000	–	100	Hotel operation
廣州光明房產建設有限公司 ("Guangzhou Guangming")#	PRC/Mainland China	US$28,080,000	–	98.90	Shopping mall holding and leasing
天津中漁置業有限公司 ("TJ Zhongyu")#	PRC/Mainland China	US$112,500,000	–	60	Logistics facilities development
北京允中投資咨詢有限公司^#	PRC/Mainland China	US$10,000,000	–	100	Office management
北京北建昱達投資諮詢有限公司^#	PRC/Mainland China	US$2,000,000	–	100	Office management

^ Registered as wholly-foreign-owned enterprises under PRC law.

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors, there is no subsidiary having material non-controlling interest that requires disclosure under Hong Kong Financial Reporting Standard 12 Disclosure of Interests in Other Entities issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA").

At 31 December 2015, certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,434,098,000 (2014: HK$3,590,023,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(iii)).

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements. They have been prepared under the historical cost convention, except for investment properties, defined benefit plans and available-for-sale equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements:

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the defined benefit plans provided by the Group have no contributions from employees or third parties.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group received management services from a management company which manages and operates the hotel operation of the Group and details of the transactions with the management company have been disclosed in the note 45(a)(v) to the financial statements.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

(b) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

(d) HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(f) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, defined benefit plans, a derivative financial asset and certain equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, deferred tax assets, financial assets and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings and hotel property	Over the shorter of the lease terms and 40 years
Leasehold improvements	Over the shorter of the lease terms and 4 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, stated at fair value at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of a completed investment properties or an investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale equity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as other income in profit or loss. The loss arising from impairment is recognised as finance costs for loans and as other expenses for receivables in profit or loss.

(ii) Available-for-sale equity investments

Available-for-sale equity investments are listed and unlisted equity investments which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, the available-for-sale equity investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss as other gains or losses.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used on estimating fair value, the investments is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive markets, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the assets for the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss as other expenses.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

(ii) Available-for-sale equity investment

For available-for-sale equity investment, the Group assesses at the end of each reporting period whether there is objective evidence that the investment is impaired.

If the available-for-sale equity investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings, redeemable and convertible equity instrument and guaranteed bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in profit or loss.

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale of the properties

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis includes all cost of purchase, cost of conversion and other costs incurred in bring the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental income, on a time proportion basis over the lease terms;

(b) management and service income, when the related services have been provided; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits (Pension schemes)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

The Group also provided supplementary pension subsidies to retired employees. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to employees. The benefits are unfunded. The liability recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income as they occur.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in profit or loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's presentation currency, where the functional currency of the Company is Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or statement of profit or loss is also recognised in other comprehensive income or statement of profit or loss, respectively).

The functional currencies of the Company and certain subsidiaries, joint ventures and associates established in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

Further details of the fair value estimation of investment properties, including the key assumptions used for fair value measurement and sensitivity analysis, are set out in note 14(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Control over the hotel operation

The hotel operated by the Group is managed by a hotel manager. The hotel manager manages the day-to-day operations of the hotel and will charge a management fee and a marketing fee to the Group with reference to certain percentage of the total gross revenue of the hotel operation. In addition, the hotel manager will charge an incentive management fee based on a certain percentage of the hotel's net operating profit.

The directors of the Company assessed whether or not the hotel manager is a principal or agent to the Group. In making their judgement, the directors considered the mode of operation of the hotel manager. After assessment, the directors considered that the hotel manager's scope of decision-making authority is limited and the Group has the power to direct the relevant activities of the hotel operations such as the right to appoint the general manager of the hotel, review and approve the yearly financial budget and decide the hotel's operation plan. In addition, the Group has the right to remove the hotel manager in the situation when the hotel's performance cannot meet certain operating criteria as stated in the management agreement signed with the hotel manager. Accordingly, the directors considered that the Group holds substantive removal rights of the hotel manager and the hotel manager is compensated as stated above for managing the daily operation of the hotel. The directors considered that the remuneration paid to the hotel manager commensurate with the services provided and on an arm's length basis. Therefore, the directors considered that the hotel manager is an agent of the Group and the Group has control over the hotel operation.

Classification of entities as available-for-sale equity investments in which the Group is a substantial shareholder

During the year ended 31 December 2015, the Group reclassified its investment in Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H", formerly known as Genvon Group Limited) from an investment in an associate to an available-for-sale equity investment. The classification of this investment involved judgement by the Group as to whether the Group has significant influence over BE M&H, which was detailed in note 18(i) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the respective business segment cash-generating units to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties, properties held for sale, buildings and hotel property held; and long-term rental rates (considering current and historical rents, price trends and related factors), discount rates, operating costs, future capital requirements and operating performance (which includes occupancy rate) for investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections and impact the recoverable amount of the cash-generating unit, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2015 was HK$62,769,000 (2014: HK$212,650,000), details of which are set out in note 16 to the financial statements.

Impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2015 were HK$14,979,000 (2014: HK$13,085,000) and HK$227,946,000 (2014: HK$118,038,000), respectively, details of which are set out in notes 23 and 24 to the financial statements.

Provision for compensation

As further disclosed in note 31 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligation liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation based on their best estimate, after considering all the available information. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact the provision for compensation in the year in which the liabilities of the compensation are concluded.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2015 was HK$27,755,000 (2014: HK$8,226,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2015 (2014: Nil).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has two reportable operating segments as follows:

(a) the properties business segment engages in the development and leasing of commercial properties in Mainland China and provision of related management services, and a hotel operation in Beijing, the PRC; and

(b) the logistics business segment engages in the provision of logistics services, including leasing of warehouse facilities and provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude amounts due from joint ventures and related companies, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude amounts due to joint ventures and related companies, bank and other borrowings, redeemable and convertible equity instrument, convertible bonds, guaranteed bonds, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Properties business		Logistics business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue:						
Sales to external customers	**154,615**	67,420	**141,957**	135,563	**296,572**	202,983
Fair value gain on investment properties, net	**32,344**	–	**67,000**	314,951	**99,344**	314,951
	186,959	67,420	**208,957**	450,514	**395,916**	517,934
Reconciliation:						
Gain on a debt restructuring					**–**	90,585
Gain on disposal of subsidiaries					**202,241**	–
Gain on bargain purchase of a subsidiary					**–**	58,876
Gain on disposal of an associate					**174,335**	–
Gain on deemed disposal of a partial interest of an associate					**46,593**	–
Bank interest income					**27,228**	8,255
Other interest income					**14,075**	18,751
Other unallocated gains					**6,788**	1,818
Revenue, other income and gains, net					**867,176**	696,219
Segment results:						
The Group	**22,788**	13,655	**118,920**	385,352	**141,708**	399,007
Share of profits/(losses) of:						
Joint ventures	**–**	(20,421)	**4,676**	(19)	**4,676**	(20,440)
Associates	**(381)**	(1,928)	**–**	4,701	**(381)**	2,773
	22,407	(8,694)	**123,596**	390,034	**146,003**	381,340
Reconciliation:						
Gain on a debt restructuring					**–**	90,585
Gain on bargain purchase of a subsidiary					**–**	58,876
Gains on disposal of subsidiaries					**202,241**	–
Gain on disposal of an associate					**174,335**	–
Gain on deemed disposal of a partial interest of an associate					**46,593**	–
Bank interest income					**27,228**	8,255
Other interest income					**14,075**	18,751
Other unallocated gains					**6,788**	1,818
Foreign exchange losses, net					**(56,964)**	(20,096)
Corporate and other unallocated expenses					**(58,748)**	(117,402)
Finance costs					**(178,850)**	(123,918)
Profit before tax					**322,701**	298,209

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment assets	**3,324,477**	2,712,734	**4,099,739**	5,022,266	**7,424,216**	7,735,000
Reconciliation:						
Corporate and other unallocated assets					**4,042,328**	1,820,333
Total assets					**11,466,544**	9,555,333
Segment liabilities	**(726,923)**	(721,924)	**(162,404)**	(91,615)	**(889,327)**	(813,539)
Reconciliation:						
Corporate and other unallocated liabilities					**(6,116,533)**	(4,429,826)
Total liabilities					**(7,005,860)**	(5,243,365)
Other segment information						
Depreciation:						
Segment assets	**35,098**	13,511	**2,035**	1,358	**37,133**	14,869
Corporate and other unallocated assets					**42**	851
					37,175	15,720
Amortisation provided during the year	**–**	–	**3,095**	6,753	**3,095**	6,753
Investment in a joint venture	**–**	–	**526,430**	451,072	**526,430**	451,072
Investment in an associate	**–**	–	**–**	478,365	**–**	478,365
Provision for compensation, net	**12,394**	2,238	**–**	–	**12,394**	2,238
Other non-cash expenses	**–**	–	**–**	–	**40,696**	31,646
Capital expenditure*:						
Segment assets	**148,139**	2,485,261	**284,322**	453,630	**432,461**	2,938,891
Corporate and other unallocated assets					**56**	428
					432,517	2,939,319

* Capital expenditure consists of additions of property, plant and equipment, and investment properties during the year.

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group (other than financial instruments) are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

Information about major customers

During the years ended 31 December 2015 and 2014, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of these years.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

5. REVENUE AND OTHER INCOME

Revenue represents (1) the gross rental income received and receivable from investment properties, net of business tax and government surcharges; (2) the service fee from a hotel operation, net of value-added tax, business tax and government surcharges; and (3) the management fee income from the services rendered, net of valued-added tax, business tax and government surcharges.

An analysis of the Group's revenue and other income is as follows:

	2015 HK$'000	2014 HK$'000
Revenue		
Gross rental income	**194,384**	156,481
Hotel operation	**96,274**	43,925
Management fee	**5,914**	2,577
	296,572	202,983
Other income		
Bank interest income	**27,228**	8,255
Other interest income	**14,075**	18,751
Government grant	**1,397**	–
Others	**5,391**	1,818
	48,091	28,824

NOTES TO FINANCIAL STATEMENTS

31 December 2015

6. GAIN ON A DEBT RESTRUCTURING

The gain on a debt restructuring recognised by the Group during the year ended 31 December 2014 arose from the default in repayment of a total sum of HK$44,880,000 owed to the Group by a previous shareholder of a subsidiary of the Company (the "Debtor"), who surrendered a 57.34% equity interest of Charmfull Investments Limited ("Charmfull") and a shareholder's loan of HK$5,077,000 advanced by the Debtor to Charmfull in accordance with a deed of assignment dated 19 December 2014 entered into between the Group and the Debtor. The major asset of Charmfull is a 25% equity interest in Holiday Inn BJ, which operates a hotel in Beijing and is owned as to 75% by the Group immediately before the debt restructuring. The difference of HK$90,858,000 between (i) the total fair value of 57.34% equity interest of Charmfull (determined primarily based on the fair value of Holiday Inn BJ) and the assigned shareholder's loan of HK$5,077,000 and (ii) the loan receivable owed by the Debtor is recognised in profit or loss during the year ended 31 December 2014.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2015 **HK$'000**	2014 HK$'000
Interest on bank loans and other loans	**96,621**	70,422
Interest on convertible bonds	**24,609**	21,850
Imputed interest on convertible bonds (note 32)	**40,696**	31,607
Interest on guaranteed bonds	**16,924**	–
Loss on early redemption of convertible bonds	**–**	39
Total	**178,850**	123,918

NOTES TO FINANCIAL STATEMENTS

31 December 2015

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2015 HK$'000	2014 HK$'000
Direct cost of rental income		**29,500**	11,946
Cost of hotel operation		**32,985**	24,019
Cost of services provided		**2,726**	380
Depreciation*	13	**37,175**	15,720
Amortisation of prepaid land lease payments	15	**3,095**	6,753
Minimum lease payments under operating leases in respect of land and buildings		**4,869**	7,559
Loss on disposal of items of property, plant and equipment***		**41**	132
Auditor's remuneration		**3,800**	3,800
Employee benefit expense (including directors' remuneration (note 9)):*			
Salaries, allowances and benefits in kind		**59,480**	50,192
Equity-settled share option expense**		**20,242**	55,155
Pension scheme contributions		**10,327**	10,840
Defined benefit plans	34(a)	**814**	1,045
		90,863	117,232
Equity-settled share option expenses for consultancy service***		**–**	11,693
Impairment loss of an available-for-sale equity investment***		**18,332**	–
Foreign exchange differences, net***		**56,964**	20,096

* Depreciation and employee benefit expense amounting to HK$17,417,000 (2014: HK$8,575,000) and HK$13,907,000 (2014: HK$10,252,000), respectively, are included in "Cost of sales and services" in the consolidated statement of profit or loss.

** This item is included in "Administrative expenses" in the consolidated statement of profit or loss.

*** These items are included in "Other expenses" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Notes	2015 HK$'000	2014 HK$'000
Fees		**1,707**	1,933
Other emoluments:			
Salaries, allowances and benefits in kind		**1,821**	1,521
Performance related bonus	(a)	**1,241**	1,225
Equity-settled share option expense	(b)	**8,002**	28,670
		11,064	31,416
		12,771	33,349

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. DIRECTORS' REMUNERATION (Continued)

Name of director	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Year ended 31 December 2015					
Executive directors:					
Mr. Yu Li	180	–	569	1,291	2,040
Mr. Qian Xu	180	1,821	571	1,291	3,863
Mr. Siu Kin Wai	144	–	101	1,034	1,279
Mr. Jiang Xinhao	144	–	–	774	918
Mr. Ang Renyi	132	–	–	774	906
Mr. Yu Luning	132	–	–	774	906
Mr. Hu Yebi (appointed on 23 December 2015)	3	–	–	–	3
Mr. Liu Xueheng (resigned on 23 December 2015)	132	–	–	774	906
	1,047	1,821	1,241	6,712	10,821
Independent non-executive directors:					
Mr. Goh Gen Cheung	132	–	–	258	390
Mr. James Chan	132	–	–	258	390
Mr. Zhu Wuxiang	132	–	–	258	390
Mr. Chan Yuk Cheung	132	–	–	258	390
Mr. Song Lishui	132	–	–	258	390
	660	–	–	1,290	1,950
Total	1,707	1,821	1,241	8,002	12,771

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. DIRECTORS' REMUNERATION (Continued)

Name of director	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Year ended 31 December 2014					
Executive directors:					
Mr. Yu Li	180	4	–	5,008	5,192
Mr. Qian Xu	180	1,515	569	5,008	7,272
Mr. Siu Kin Wai	144	–	656	2,990	3,790
Mr. Jiang Xinhao	144	–	–	2,285	2,429
Mr. Ang Renyi	132	–	–	2,019	2,151
Mr. Liu Xueheng	132	–	–	2,019	2,151
Mr. Yu Luning	132	–	–	2,019	2,151
Mr. Zhou Si (resigned on 21 January 2014)	15	–	–	–	15
Mr. Xu Taiyan (resigned on 10 July 2014)	84	1	–	1,752	1,837
Ms. Meng Fang (resigned on 30 September 2014)	108	1	–	2,285	2,394
	1,251	1,521	1,225	25,385	29,382
Independent non-executive directors:					
Mr. Goh Gen Cheung	132	–	–	657	789
Mr. James Chan	132	–	–	657	789
Mr. Zhu Wuxiang	132	–	–	657	789
Mr. Chan Yuk Cheung (appointed on 3 December 2014)	11	–	–	–	11
Mr. Song Lishui (appointed on 3 December 2014)	11	–	–	–	11
Mr. Ma Chiu Cheung Andrew (resigned on 3 December 2014)	132	–	–	657	789
Mr. Ng Tang Fai, Ernesto (resigned on 3 December 2014)	132	–	–	657	789
	682	–	–	3,285	3,967
Total	1,933	1,521	1,225	28,670	33,349

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

(b) Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company during the years ended 31 December 2015 and 2014, details of which are set out in note 37 to the financial statements. The fair values of these options were determined and recognised in profit or loss at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

(c) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

NOTES TO FINANCIAL STATEMENTS

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2015 included one (2014: four) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2014: one) non-director, highest paid employees for the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,098**	1,027
Equity-settled share option expense	**2,194**	1,327
Pension scheme contributions	**394**	149
	6,686	2,503

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK$1,500,001 to HK$2,000,000	**4**	–
HK$2,000,001 to HK$2,500,000	**–**	1

During the current and prior years, share options were granted to the non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair values of these options were determined and recognised in profit or loss at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX

An analysis of the Group's income tax is as follows:

	2015 HK$'000	2014 HK$'000
Current – Mainland China		
Charge for the year	35,739	19,427
Underprovision/(overprovision) in prior years	(301)	1,116
Deferred (note 35)	31,680	86,656
Total tax expense for the year	67,118	107,199

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

11. INCOME TAX (Continued)

A reconciliation of the tax expense/credit applicable to profit/loss before tax at the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2015

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	281,961		40,740		322,701	
Tax expense at the statutory tax rate	46,523	16.5	10,185	25.0	56,708	17.6
Losses/(profits) attributable to a joint venture and an associate	(741)	(0.3)	36	0.1	(705)	(0.2)
Effect of withholding tax on disposal of subsidiaries registered in the PRC	27,549	9.8	–	0.0	27,549	8.5
Effect of withholding tax on interest income from an intercompany loan	7,651	2.7	–	0.0	7,651	2.4
Effect of withholding tax on dividend distributed by a subsidiary registered in the PRC	1,478	0.5	–	0.0	1,478	0.5
Income not subject to tax	(77,807)	(27.6)	(2,550)	(6.3)	(80,357)	(24.9)
Expenses not deductible for tax	32,055	11.4	5,763	14.1	37,818	11.7
Tax losses not recognised as deferred tax assets	–	0.0	17,277	42.4	17,277	5.4
Adjustment in respect of current tax of previous periods	–	0.0	(301)	(0.7)	(301)	(0.1)
Tax expense at the Group's effective tax rate	36,708	13.0	30,410	74.6	67,118	20.8

NOTES TO FINANCIAL STATEMENTS

31 December 2015

11. INCOME TAX (Continued)

Year ended 31 December 2014

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(22,355)		320,564		298,209	
Tax expense/(credit) at the statutory tax rate	(3,679)	16.5	80,150	25.0	76,471	25.6
Losses/(profits) attributable to joint ventures and associates	(291)	1.3	5,105	1.6	4,814	1.6
Effect of withholding tax on interest income from an intercompany loan	7,752	(34.7)	–	–	7,752	2.6
Income not subject to tax	(33,182)	148.4	(925)	(0.3)	(34,107)	(11.4)
Expenses not deductible for tax	37,152	(166.2)	2,198	0.7	39,350	13.2
Adjustment in respect of current tax of previous periods	–	–	1,116	0.3	1,116	0.4
Tax losses not recognised as deferred tax assets	–	–	11,803	3.7	11,803	4.0
Tax expense at the Group's effective tax rate	7,752	(34.7)	99,447	31.0	107,199	35.9

The share of tax expense attributable to a joint venture amounting HK$1,800,000 (2014: HK$1,930,000) and share of tax credit of HK$2,501,000 attributable to an associate in 2014 are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 6,761,162,775 (2014: 6,615,956,321) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2015 and 2014 is based on (i) the profit for the year attributable to shareholders of the Company; and (ii) the weighted average number of ordinary shares, after adjustment for the effect of the exercise of all dilutive share options at the beginning of the year or at the date of grant, whichever is the later. No adjustment has been made on the deemed conversion of the convertible bonds of the Company and the redeemable and convertible equity instruments of a subsidiary as the impact of these instruments outstanding during these years has an anti-dilutive effect on the basic earnings per share amounts presented.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

The calculation of the diluted earnings per share amounts is based on the following data:

	2015 HK$'000	2014 HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**258,454**	166,876

	2015	2014
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**6,761,162,775**	6,615,956,321
Effect of dilution of share options – weighted average number of ordinary shares	**36,865,438**	243,307,113
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**6,798,028,213**	6,859,263,434

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13. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2015							
At 1 January 2015:							
Cost	696,997	118,365	3,442	70,555	9,545	7,948	906,852
Accumulated depreciation	(7,260)	(2,667)	(2,240)	(5,356)	(2,148)	–	(19,671)
Net carrying amount	689,737	115,698	1,202	65,199	7,397	7,948	887,181
Net carrying amount:							
At 1 January 2015	689,737	115,698	1,202	65,199	7,397	7,948	887,181
Additions	–	138,121	7,217	1,793	4,181	549	151,861
Depreciation provided during the year	(17,210)	(5,677)	(1,914)	(10,200)	(2,174)	–	(37,175)
Disposals	–	–	–	(31)	(112)	–	(143)
Disposal of subsidiaries (note 40)	–	(7,946)	(17)	(1,665)	(344)	(3,830)	(13,802)
Exchange realignment	(30,302)	(9,083)	(216)	(2,894)	(231)	806	(41,920)
At 31 December 2015	642,225	231,113	6,272	52,202	8,717	5,473	946,002
At 31 December 2015:							
Cost	665,806	237,212	10,111	63,215	11,286	5,473	993,103
Accumulated depreciation	(23,581)	(6,099)	(3,839)	(11,013)	(2,569)	–	(47,101)
Net carrying amount	642,225	231,113	6,272	52,202	8,717	5,473	946,002

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014							
At 1 January 2014:							
Cost	–	9,902	6,770	4,180	4,427	5,849	31,128
Accumulated depreciation	–	(888)	(5,631)	(2,216)	(1,468)	–	(10,203)
Net carrying amount	–	9,014	1,139	1,964	2,959	5,849	20,925
Net carrying amount:							
At 1 January 2014	–	9,014	1,139	1,964	2,959	5,849	20,925
Acquisition of subsidiaries (note 39)	700,389	108,692	182	64,739	5,739	2,561	882,302
Additions	–	35	565	193	524	2,542	3,859
Transfers	–	–	–	2,605	–	(2,605)	–
Depreciation provided during the year	(7,316)	(1,841)	(662)	(4,242)	(1,659)	–	(15,720)
Disposals	–	–	–	(49)	(91)	–	(140)
Exchange realignment	(3,336)	(202)	(22)	(11)	(75)	(399)	(4,045)
At 31 December 2014	689,737	115,698	1,202	65,199	7,397	7,948	887,181
At 31 December 2014:							
Cost	696,997	118,365	3,442	70,555	9,545	7,948	906,852
Accumulated depreciation	(7,260)	(2,667)	(2,240)	(5,356)	(2,148)	–	(19,671)
Net carrying amount	689,737	115,698	1,202	65,199	7,397	7,948	887,181

Note: At 31 December 2015, certain buildings of the Group with an aggregate net carrying amount of HK$58,530,000 (2014: HK$63,248,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(i)).

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENT PROPERTIES

	Notes	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount at 1 January 2014		**2,780,874**	**138,187**	**2,919,061**
Acquisition of subsidiaries	39	**1,602,965**	**80,229**	**1,683,194**
Additions		**1,880**	**367,784**	**369,664**
Capitalised amortisation of prepaid land lease payments	15	**–**	**300**	**300**
Net gain on fair value adjustments		**281,823**	**33,128**	**314,951**
Exchange realignment		**(70,808)**	**(6,445)**	**(77,253)**
Carrying amount at 31 December 2014 and 1 January 2015		**4,596,734**	**613,183**	**5,209,917**
Additions		**66**	**279,463**	**279,529**
Capitalised amortisation of prepaid land lease payments	15	**–**	**1,127**	**1,127**
Transfer		**62,919**	**(62,919)**	**–**
Net gain on fair value adjustments		**50,256**	**49,088**	**99,344**
Disposal of subsidiaries	40	**(345,760)**	**–**	**(345,760)**
Exchange realignment		**(189,873)**	**(37,543)**	**(227,416)**
Carrying amount at 31 December 2015		**4,171,342**	**842,399**	**5,016,741**

Notes:

(a) At 31 December 2015, the Group's investment properties consisted of five (2014: four) completed properties and three (2014: four) properties under construction.

(b) The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Crowe Horwath (HK) Consulting & Valuation Limited (2014: Asset Appraisal Limited and Greater China Appraisal Limited), independent professionally qualified valuers, at HK$5,016,741,000 (2014: HK$5,209,917,000). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

14. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure

At 31 December 2015, fair value measurements of all the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation techniques		Significant unobservable inputs	Input/range of input 2015	2014
Completed investment properties				
Direct comparison method and income capitalisation method	(i)	Capitalisation rate (%)	**5.8-10%**	7%
	(ii)	Annual rental income	**RMB121,870,372 per annum**	RMB109,276,158 per annum
	(iii)	Price per square metre (s.q.m)	**RMB3,000-RMB85,000 per s.q.m**	RMB1,500-RMB86,500 per s.q.m
Investment properties under construction				
Direct comparison method	(i)	Price per square metre	**RMB3,700-RMB19,600 per s.q.m**	RMB250-RMB2,220 per s.q.m

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation approach was used to cross-check the valuation results from the direct comparison method as some of the properties is held for earning rental income. The income capitalisation approach is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

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31 December 2015

14. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure (Continued)

The assessment of the depreciated replacement cost requires an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, and so on.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease/(increase) in the fair value of the investment properties, while an increase/(decrease) in the annual rental income, price per square meter, replacement cost per square meter and physical depreciation rate in isolation would each result in an increase/(decrease) in the fair value of the investment properties.

(c) The completed investment properties are leased to third parties and related companies under operating leases, further summary details of which are included in note 43(a) to the financial statements.

(d) At 31 December 2015, certain investment properties of the Group with an aggregate carrying amount of HK$4,636,816,000 (2014: HK$4,334,743,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(ii)).

15. PREPAID LAND LEASE PAYMENTS

	Notes	**2015** **HK$'000**	2014 HK$'000
Carrying amount at 1 January		**257,109**	270,788
Amortisation provided during the year:			
Charged to profit or loss		**(3,095)**	(6,753)
Capitalised to investment properties under construction	14	**(1,127)**	(300)
Disposal of subsidiaries	40	**(236,320)**	–
Exchange realignment		**3,506**	(6,626)
Carrying amount at 31 December		**20,073**	257,109
Current portion included in prepayments, deposits and other receivables	24	**(310)**	(6,997)
Non-current portion		**19,763**	250,112

Note: At 31 December 2015, certain of the Group's prepaid land lease payments with a carrying amount of HK$20,073,000 (2014: HK$21,338,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

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16. GOODWILL

	2015			2014		
	Properties Business HK$'000	**Logistics Business HK$'000**	**Total HK$'000**	Properties Business HK$'000	Logistics Business HK$'000	Total HK$'000
Cost and net carrying amount at 1 January	**44,031**	**168,619**	**212,650**	–	149,881	149,881
Acquisition of subsidiaries (note 39)	**–**	**–**	**–**	44,031	18,738	62,769
Disposal of subsidiaries (note 40)	**–**	**(149,881)**	**(149,881)**	–	–	–
Cost and net carrying amount 31 December	**44,031**	**18,738**	**62,769**	44,031	168,619	212,650

Impairment testing of goodwill

At 31 December 2015, goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business
- Logistics business

(i) *Properties business*

The recoverable amount of the properties business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, properties held for sale, buildings and hotel property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end or close to year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2015.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

(ii) Logistics business

The recoverable amount of the logistics business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made:

- in respect of a business unit which shall be sold by the Group, the transaction price as stipulated in the sale and purchase agreement (Level 1 fair value hierarchy as defined in HKFRS 13); and

- in respect of business units with investment properties or investment properties under construction, the valuation of the investment properties and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method, depreciated replacement cost method or discounted cash flow method, where appropriate, which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13). For the investment property under construction which was valued using discounted cash flow method, management used a discount rate of 12.4% and has projected cash flows for a period of 20 years based on a lease agreement signed with a tenant and no cash flows beyond the lease period was projected by the management for the purpose of the valuation.

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2015.

Key assumption used in assessing the fair value less costs of disposal

The following describes each key assumption adopted by management for the purpose of impairment testing of goodwill:

- *Fair value change*
  there is no major material adverse change in the fair value of the property held by each cash-generating unit from the date of valuation.

- *Realisation of assets and liabilities*
  the identifiable assets and liabilities, excluding deferred tax liabilities recognised arising from the acquisition, can be realised at their book values.

- *Business environment*
  There have been no major changes in the existing political, legal and economic conditions in Mainland China.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

17. INTERESTS IN A JOINT VENTURE

	Notes	2015 HK$'000	2014 HK$'000
Investment in a joint venture, included in non-current assets:			
Share of net assets		**517,835**	442,477
Goodwill on acquisition		**8,595**	8,595
	(a), (b)	**526,430**	451,072
Due from a joint venture, included in current assets	(c)	**252,962**	295,537
Due to a joint venture, included in current liabilities	(c)	**–**	(4,163)
Total interests in a joint venture		**779,392**	742,446

Notes:

(a) Particulars of the Group's sole joint venture, which is indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of: Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
北京北建通成國際物流有限公司 ("BIPL")	PRC/Mainland China	RMB600,000,000	76	76	76	Logistics facilities development

In the opinion of the directors, notwithstanding that the Group has over 50% voting power in BIPL, the Group only has joint control over the joint venture because unanimous approval from all directors of BIPL is required for any resolution to pass at its directors' meeting.

(b) Material joint venture disclosure

During the year ended 31 December 2014, the Group had two material joint ventures, namely BIPL and Guangzhou Guangming, and the latter ceased to be a joint venture of the Group on 31 July 2014 and has been accounted for as a subsidiary since then, as further detailed in note 39(a)(ii) to the financial statements. At 31 December 2015 and 2014, BIPL is the sole joint venture of the Group and was accounted for using the equity method in the consolidated financial statements.

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17. INTERESTS IN A JOINT VENTURE (Continued)

Notes: (Continued)

(b) Material joint ventures disclosure (Continued)

The following tables illustrate the summarised financial information of each of BIPL and Guangzhou Guangming, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements. Financial information with respect to the net assets of Guangzhou Guangming as at 31 December 2014 is not disclosed as the investment was reclassified from a joint venture to a subsidiary from 31 July 2014 onwards. The operating performance information of Guangzhou Guangming for the year ended 31 December 2014 disclosed below only comprised its operating performance from 1 January 2014 to 31 July 2014, in which period it was accounted for as a joint venture of the Group.

	BIPL		Guangzhou Guangming
	2015	2014	2014
	HK$'000	HK$'000	HK$'000
Summarised statement of financial position of the material joint venture			
Current assets	**494,666**	840,440	N/A
Non-current assets	**492,648**	49,150	N/A
Current liabilities	**(305,952)**	(307,383)	N/A
Net assets	**681,362**	582,207	N/A
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	**47,264**	395,997	N/A
Current financial liabilities (excluding trade and other payables and provisions)	**(304,832)**	(273,553)	N/A
Reconciliation to the Group's investment in a joint venture:			
Proportion of the Group's ownership	**76%**	76%	N/A
Group's share of net assets of the joint venture, excluding goodwill	**517,835**	442,477	N/A
Goodwill on acquisition	**8,595**	8,595	N/A
Carrying amount of the investment	**526,430**	451,072	N/A
Summarised statement of profit or loss and other comprehensive income of the material joint ventures			
Revenue	**–**	–	25,997
Interest income	**2,031**	7,895	212
Interest expenses	**(11,263)**	(19,863)	(6,885)
Depreciation and amortisation	**(3,258)**	(147)	(6,208)
Other income and expenses, net	**21,011**	12,202	(41,161)
Income tax expense/(credit)	**(2,368)**	(113)	2,520
Profit/(loss) for the year from continuing operation	**6,153**	(26)	(25,525)
Other comprehensive income/(loss)	**(26,344)**	14,461	(17,178)
Total comprehensive income/(loss) for the year	**(20,191)**	14,435	(42,703)
Share of the joint ventures' profits/(losses) for the year	**4,676**	(20)	(20,420)

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17. INTERESTS IN A JOINT VENTURE (Continued)

Notes: (Continued)

(c) The Group's amount due from a joint venture as at 31 December 2015 included entrusted bank loans with an aggregate amount of RMB206,400,000 (equivalent to HK$250,074,000) (2014: RMB219,000,000 (equivalent to HK$273,533,000)) (at the then exchange rate) provided by the Group to finance the business development of BIPL. The entrusted bank loans bear interest at the rate of 4.35% (2014: 7.1%) per annum and are fully repayable in 2016 (2014: repayable in 2015).

Except for the above, all other balances with joint ventures included in current assets/liabilities of the Group as at 31 December 2015 and 2014 were unsecured, interest-free and had no fixed terms of repayment.

18. INVESTMENT IN AN ASSOCIATE

	2015 **HK$'000**	2014 HK$'000
Investment in an associate, included in non-current assets:		
Share of net assets	**–**	363,819
Goodwill on acquisition	**–**	114,546
	–	478,365

Material associate disclosure

During the year, BE M&H (2014: 海口安基實業發展有限公司 ("Haikou Peach Base") and BE M&H) was considered as a material associate of the Group and was accounted for using equity method in the consolidated financial statements.

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18. INVESTMENT IN AN ASSOCIATE (Continued)

Material associate disclosure (Continued)

The following table illustrates the summarised financial information of the material associates, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	BE M&H (note (i))		Haikou Peace Base (note (ii))
	2015	2014	2014
	HK$'000	HK$'000	HK$'000
Summarised statement of financial position of the material associate			
Non-current assets	**N/A**	89,553	N/A
Current assets	**N/A**	2,891,526	N/A
Current liabilities	**N/A**	(1,028,648)	N/A
Net assets	**N/A**	1,952,431	N/A
Less: Non-controlling interests	**N/A**	(209,171)	N/A
Net assets attributable to shareholders of the associates	**N/A**	1,743,260	N/A
Reconciliation to the Group's interests in the associate			
Proportion of the Group's ownership	**N/A**	20.86%	N/A
Group's share of net assets of the associate, excluding goodwill	**N/A**	363,819	N/A
Goodwill on acquisition (note (i))	**N/A**	114,546	N/A
Carrying amount of the investment	**N/A**	478,365	N/A
Summarised statement of profit or loss and other comprehensive income of the material associates			
Revenue	**–**	100,452	–
Loss for the year from continuing operations	**(106,925)**	(37,711)	(4,819)
Profit for the year from a discontinued operation	**46,997**	67,053	–
Profit/(loss) for the year	**(59,928)**	29,342	(4,819)
Other comprehensive income/(loss)	**(135,120)**	7,255	(1,791)
Total comprehensive income/(loss) for the year	**(195,048)**	36,597	(6,610)
Share of associates' profit/(loss) for the year	**(381)**	4,701	(1,928)

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18. INVESTMENT IN AN ASSOCIATE (Continued)

Material associate disclosure (Continued)

(i) On 3 September 2014, the Group acquired a 20.86% equity interest in BE M&H at a consideration of HK$472,500,000. On the date of completion of the transaction, the fair value of the 20.86% equity interest in BE M&H was assessed as HK$357,954,000 and the Group recorded a goodwill of HK$114,546,000 which was capitalised as an asset and included in the Group's investments in associates.

During the year, BE M&H allotted and issued an aggregate of 1,711,739,000 new shares to third parties as considerations for acquisition of businesses. As a result, the Group's share of equity interest in BE M&H was diluted from 20.86% to 15.14%, resulting in a gain on deemed disposal of a partial interest in an associate of HK$46,593,000. Since two directors of the Company were also members of BE M&H's board of directors, the voting power of the Company in the board of BE M&H was above 20%. The directors of the Company were in the opinion that the Group continued to have significant influence over BE M&H and the investment in BE M&H remained as an investment in an associate after the deemed disposal.

On 23 December 2015, one of the directors of the Company who was also a director of BE M&H resigned from the position as a director of the Group. The voting power of the Group in BE M&H was reduced to below 20%. The directors of the Company are in the opinion that the Group no longer had significant influence over BE M&H and the investment in BE M&H was reclassified from an investment in an associate to an available-for-sale equity investment measured at fair value, resulting in a gain on disposal of an associate of HK$174,335,000.

The operating performance information of BE M&H for the year ended 31 December 2015 disclosed above is its operating results from 1 January 2015 to the date of disposal, and that for the year ended 31 December 2014 disclosed above is post-acquisition operating results.

(ii) On 18 December 2014, the equity interest of Rayport Limited ("Rayport", a then wholly-owned subsidiary of the Company which held the Group's 40% equity interest in Haikou Peace Base) was transferred to a company listed on the Australian Securities Exchange (the "Haikou Buyer") pursuant to a sale and purchase agreement dated 9 June 2014 and an amending and restatement deed dated 7 October 2014 entered into between the two parties, for a consideration of 83,000,000 new ordinary shares (as adjusted after a share consolidation) to be issued by the Haikou Buyer to the Group. At 31 December 2014, the transaction had not yet been completed as the Haikou Buyer had not yet the consideration shares to the Group. However, as the equity interest of Rayport had been transferred to the Haikou Buyer before 31 December 2014, in the opinion of the directors, all the risks and rewards of ownership in Haikou Peace Base has been passed to the Haikou Buyer and hence, the Group discontinued to account for Haikou Peace Base as an associate and reclassified the then carrying amount of the investment in Haikou Peace Base to an other receivable, with any gain on disposal to be recognised when the transaction is completed.

During the year ended 31 December 2015, the transaction for the disposal of Rayport was completed upon receipt of the consideration shares issued by the Haikou Buyer on 17 April 2015. The consideration shares had a fair value of AUD18,260,000 (equivalent to approximately HK$105,178,000) at the date of the completion of the transaction.

The operating performance information for the year ended 31 December 2014 of Haikou Peace Base disclosed above is its operating results from 1 January 2014 to the date it ceased to be accounted for as an associate of the Group.

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19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Notes	**2015** **HK$'000**	2014 HK$'000
Listed equity investments, at fair value	(a)	**740,069**	–
Unlisted equity investment, at cost	(b)	**–**	3,541
		740,069	3,541

Notes:

(a) The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$46,682,000 (2014: Nil).

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of HK$18,332,000 (2014: Nil), which was reclassified from other comprehensive income, was recognised in profit or loss for the year.

(b) At 31 December 2014, an unlisted equity investment with a carrying amount of HK$3,541,000 was stated at cost less any impairment losses because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The unlisted equity instrument was derecognised during the year as a result of a disposal of subsidiaries during the year (note 40).

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20. DEPOSITS PAID FOR ACQUISITIONS OF BUSINESSES AND AN INTEREST IN A JOINT VENTURE

	Notes	2015 HK$'000	2014 HK$'000
Deposits paid for acquisitions of businesses	(a)	**186,462**	–
Deposit paid for acquisition of an interest in a joint venture	(b)	**–**	138,601
		186,462	138,601

Notes:

(a) The deposits as at 31 December 2015 represented deposits amounting to RMB154,484,000 paid for the acquisitions of various shares of equity interest in logistics businesses located in the Mainland China from independent third parties. One of the acquisitions was subsequently completed as further detailed in note 49 to the financial statements.

(b) The deposit as at 31 December 2014 represented a deposit of RMB109,891,000 (equivalent to HK$138,601,000) paid for the acquisition of a 50% equity interest in 北京北糧國際經貿有限公司 from an independent third party. During the year, the acquisition was terminated as mutually agreed by the Group and the third party. In the opinion of the directors, the deposit paid will be refunded within one year and hence it was reclassified to other receivables in current assets (note 24).

Further details are set out in the Company's announcements dated 30 June 2015 and 22 December 2015.

21. PROPERTIES HELD FOR SALE

Properties held for sale of the Group as at 31 December 2015 and 2014 represented certain portion of the Group's shopping mall, which is located in Guangzhou, the PRC, and these areas are held by the Group for future disposal and were pledged to secure certain bank loans granted to the Group (note 29(a)(iv)).

22. INVENTORIES

Inventories of the Group are raw materials, merchandised goods and consumable stocks held for use by the Group's hotel operation.

NOTES TO FINANCIAL STATEMENTS

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23. TRADE RECEIVABLES

Trade receivables of the Group as at 31 December 2015 and 2014 included rental income receivable from tenants of the Group's investment properties and room charges and service fees arising from the Group's hotel operation. Overdue trade receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 **HK$'000**	2014 HK$'000
Within one month	**14,252**	11,362
One to three months	**364**	1,723
Four to six months	**363**	–
	14,979	13,085

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**14,979**	10,987
Less than three months past due	**–**	2,098
	14,979	13,085

(b) In the prior year, as at 31 December 2014, trade receivables of HK$2,098,000 in total were pledged to secure certain bank loans granted to the Group (note 29(a)(v)).

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Prepayments		**6,051**	9,092
Prepaid land lease payments – current portion	15	**310**	6,997
Deposits and other receivables		**58,902**	93,056
Consideration receivable for disposal of an associate	(a)	**–**	24,982
Deposit paid for acquisition of an interest in a joint venture	20(b)	**138,601**	–
Entrusted loans granted to a third party	(b)	**30,443**	–
		234,307	134,127
Portion classified as current assets		**(228,447)**	(80,806)
Non-current portion		**5,860**	53,321

Note:

(a) In 2013, the Group disposed of a 31.04% equity interest in 北京京津港國際物流有限公司("Jingjingang"), a then associate, to one of the other investors of Jingjingang for a consideration of RMB40,800,000 (equivalent to HK$51,469,000), of which RMB4,080,000 (equivalent to HK$5,147,000) was received in 2013; RMB16,720,000 (equivalent to HK$21,413,000) was received in 2014 and the remaining balance of RMB20,000,000 (equivalent to HK$24,982,000) was settled in 2015.

(b) The loans granted to a third party are unsecured, bear interest at rates ranging from 4.85% to 6%, and was fully repaid subsequent to the reporting period in March 2016.

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25. BALANCES WITH RELATED COMPANIES

	2015 HK$'000	2014 HK$'000
Due from related companies:		
Fellow subsidiaries	**76**	332
Other related companies	**660**	691
	736	1,023
Due to related companies:		
The immediate holding company	**34**	2,116
Fellow subsidiary	**–**	205,227
Non-controlling equity holders of a subsidiary	**32,760**	42,092
	32,794	249,435
Portion classified as current liabilities	**(634)**	(11,340)
Non-current portion	**32,160**	238,095

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment, except for a non-interest bearing loan of HK$205,227,000 as at 31 December 2014, advanced from a fellow subsidiary which was due for repayment in 2016 but was early repaid by the Group during the year.

NOTES TO FINANCIAL STATEMENTS

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26. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	Notes	2015 HK$'000	2014 HK$'000
Cash and bank balances other than time deposits		**1,047,123**	1,155,134
Time deposits		**2,308,302**	86,622
	(a)	**3,355,425**	1,241,756
Less: Restricted cash	(b)	**(277,682)**	(927,154)
Cash and cash equivalents		**3,077,743**	314,602

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and twelve months (2014: between seven days and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to HK$956,669,000 (2014: HK$976,956,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2015, the usage of the Group's bank balances amounting to HK$80,622,000 and HK$197,000,000 (2014: HK$288,866,000 and HK$638,288,000) were restricted as to their use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 29(a)(iv)) and a subscription agreement entered into with an independent third party for a capital injection into a subsidiary of the Group (note 30), respectively.

NOTES TO FINANCIAL STATEMENTS

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27. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Within one month	**100,756**	24,347
One to two months	**1,147**	623
Two to three months	**403**	454
Over one year	**38,844**	47,691
	141,150	73,115

The trade payables aged over one year represented construction fee payable to certain construction contractors. Except for the aforementioned balance, the trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

28. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Interest payable of convertible bonds	**20,717**	21,688
Interest payable of guaranteed bonds	**14,674**	–
Accruals	**13,406**	25,333
Receipts in advance and rental deposits received from tenants	**54,314**	64,400
Other payables	**190,656**	145,275
Defined benefit plans (note 34(b))	**501**	425
	294,268	257,121

Other payables are non-interest-bearing and have an average term of three months.

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29. BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans:		
Secured (note (a))	**1,738,466**	2,222,146
Unsecured	**293,763**	75,000
	2,032,229	2,297,146
Unsecured other loans	**–**	7,256
Total bank and other borrowings	**2,032,229**	2,304,402
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,807,907**	837,729
In the second year	**21,837**	1,347,211
In the third to fifth years, inclusive	**103,557**	112,206
Beyond five years	**98,928**	–
	2,032,229	2,297,146
Other loans repayable:		
Within one year	**–**	7,256
Total bank and other borrowings	**2,032,229**	2,304,402
Portion classified as current liabilities	**(1,807,907)**	(844,985)
Non-current portion	**224,322**	1,459,417

Notes:

(a) Except for bank loans of HK$238,640,000 (2014: HK$121,763,000) in total which bear interest at fixed rates of 5.39% to 7.86% (2014: 6.8% to 7.86%), all other bank loans of the Group as at 31 December 2015 are floating rate loans with interests at specified periods' LIBOR or HIBOR plus a margin.

NOTES TO FINANCIAL STATEMENTS

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29. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(a) (Continued)

The secured bank loans of the Group are secured by:

(i) certain buildings with an aggregate carrying amount of HK$58,530,000 (2014: HK$63,248,000) (note 13);

(ii) certain investment properties with an aggregate carrying amount of HK$4,636,816,000 (2014: HK$4,334,743,000) (note 14(d));

(iii) certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,434,098,000 (2014: HK$3,590,023,000) (note 1);

(iv) properties held for sale with a carrying amount of HK$96,932,000 (2014: HK$101,471,000)(note 21); and certain bank balances of HK$80,622,000 (2014: HK$288,866,000) (note 26(b)); and

(v) at 31 December 2014, certain trade receivables with an aggregate carrying amount of HK$2,098,000 (note 23(b)).

In addition, the Group's bank loans are guaranteed by the Company (2014: the Company).

(b) The bank and other borrowings were denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**750,934**	1,210,554
RMB	**238,640**	129,018
US$	**1,042,655**	964,830
	2,032,229	2,304,402

(c) The loan agreement of a bank loan of the Group with a carrying amount of HK$624,838,000 (2014: HK$895,162,000) as at 31 December 2015 includes a covenant imposing specific performance obligation on Beijing Enterprises Group, the ultimate holding company of the Company, under which it would constitute an event of default in the loan facility if the Company is less than 40% directly or indirectly ultimately owned by Beijing Enterprises Group. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements.

30. REDEEMABLE AND CONVERTIBLE EQUITY INSTRUMENT

On 11 July 2014, the Group entered into a subscription agreement with an independent third party ("MJQ"), pursuant to which MJQ conditionally agreed to subscribe for and China Logistics conditionally agreed to issue 35 redeemable and convertible shares (the "Redeemable and Convertible Shares") to MJQ at a total consideration of RMB888,000,000. If converted, the Redeemable and Convertible Shares represent 35% of the enlarged share capital of China Logistics.

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31 December 2015

30. REDEEMABLE AND CONVERTIBLE EQUITY INSTRUMENT (Continued)

The Redeemable and Convertible Shares were issued on 15 October 2014 and the first instalment of the subscription monies of RMB511,000,000 (equivalent to HK$638,287,000, at the then exchange rate) was received by the Group during the year ended 31 December 2014.

The redemption rights attached to the Redeemable and Convertible Shares allows MJQ to request repayment of the subscription proceeds paid to the Group if BIPL was unable to obtain the land use rights of a parcel of land located in Beijing on or before 30 September 2016 (the "Revised Land Acquisition Deadline") (as agreed by the parties pursuant to a supplementary agreement dated 30 September 2015). Since the Redeemable and Convertible Shares issued are redeemable at the option of MJQ within fifteen business days after the Revised Land Acquisition Deadline (or such other date as agreed by the parties) and the Group has unavoidable obligation to repay when MJQ exercises its option, for accounting purpose, the subscription proceeds received by the Group are classified as financial liabilities until the Redeemable and Convertible Shares are converted into ordinary shares of China Logistics or the redemption period expires on 30 September 2016. During the year, BIPL made a successful bid for land use rights through open tender auction and the consideration was fully paid on 24 November 2015.

Should the subscription proceeds received by China Logistics be reclassified to equity, a deemed disposal of China Logistics will be resulted.

31. PROVISION FOR COMPENSATION

	2015 **HK$'000**	2014 HK$'000
At 1 January	**513,096**	–
Acquisition of a subsidiary (note 39)	**–**	514,243
Additional provision	**12,394**	2,238
Settlement during the year	**(4,955)**	(3,352)
Exchange realignment	**(23,206)**	(33)
At 31 December	**497,329**	513,096

On 31 July 2014, the Group obtained control over and started consolidating Guangzhou Guangming.

At the date of obtaining control, included in Guangzhou Guangming's liabilities was a provision for resettlement compensations of approximately RMB411,658,000 (equivalent to approximately HK$514,243,000, at the then exchange rate) payable to certain indigenous properties owners and tenants (the "Concerned Residents") affected by the construction works of a residential and commercial complex (the "Metro Mall") undertaken by Guangzhou Guangming in prior years.

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31. PROVISION FOR COMPENSATION (Continued)

During the construction of the Metro Mall by Guangzhou Guangming in the 1990s, properties owned/rented by the Concerned Residents were demolished and it was agreed between the Concerned Residents and Guangzhou Guangming that new residential flats to be built by Guangzhou Guangming will be used as compensation to the Concerned Residents for the demolished properties. However, due to changes in the development plan, no residential flats can be built and Guangzhou Guangming was unable to resettle those Concerned Residents in the agreed manner. In prior years, some of the Concerned Residents had lodged litigations against Guangzhou Guangming for its breach of agreements and requested monetary compensations. Guangzhou Guangming lost some of those lawsuits and was required to pay compensations together with overdue penalties.

In arriving the best estimate of the amount of the provisions for the resettlement compensation, the management of the Group had made reference to the judgements of the lawsuits and had applied to all Concerned Residents.

32. CONVERTIBLE BONDS

The Company had two batches of convertible bonds outstanding during the years ended 31 December 2015 and 2014, the summary information of which is set out as follows:

	Placing Convertible Bonds (note (a))	**PAG Convertible Bonds*** (note (b))
Issuance date	3 December 2010	12 February 2014
Maturity date	2 December 2015	11 February 2019
Redemption option of the convertible bond holders	Any day after the first anniversary of the issuance date	Any day after the third anniversary of the issuance date
Original principal amount	HK$499,850,000	RMB490,510,000
Coupon rate	Zero	4%
Conversion price per ordinary share of the Company (HK$)	0.65	0.74

* As defined in the respective circulars of the Company in connection with the issuance of the convertible bonds.

Notes:

(a) The Placing Convertible Bonds were issued to certain independent third parties on 3 December 2010 by a placing agent pursuant to a placing agreement dated 25 June 2010 for the purpose of financing future investments in property and logistics business operations in the PRC and providing additional working capital to the Group.

(b) The PAG Convertible Bonds were issued to PA Broad Opportunity VI Limited pursuant to a subscription agreement dated 24 January 2014 for the purpose of providing working capital and strengthening capital base and financial position of the Group.

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32. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) (Continued)

Further details of the Placing Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 3 December 2010, respectively. Details of the PAG Convertible Bonds are set out in the Company's announcements dated 26 January 2014 and 12 February 2014.

Each batch of these convertible bonds was bifurcated into a liability component and an equity component for accounting purposes, as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2015 and 2014:

	Notes	**Placing Convertible Bonds** HK$'000	**PAG Convertible Bonds** HK$'000	**Total** HK$'000
Principal amount outstanding				
At 1 January 2014		1,950	–	1,950
Issue of convertible bonds		–	628,196	628,196
Conversion to ordinary shares	36(b)	(1,300)	–	(1,300)
Redemption		(650)	–	(650)
At 31 December 2014, 1 January 2015 and 31 December 2015		–	628,196	628,196
Liability component				
At 1 January 2014		1,832	–	1,832
Issue of convertible bonds*		–	368,965	368,965
Transfer to share capital and share premium account upon conversion to ordinary shares	36(b)	(1,232)	–	(1,232)
Redemption		(611)	–	(611)
Imputed interest expense	7	11	31,596	31,607
Exchange realignment		–	(9,342)	(9,342)
At 31 December 2014 and 1 January 2015		–	391,219	391,219
Imputed interest expense	7	–	40,696	40,696
Exchange realignment		–	(18,841)	(18,841)
At 31 December 2015		–	413,074	413,074
Equity component (included in the convertible bond equity reserve)				
At 1 January 2014		258	–	258
Issue of convertible bonds		–	247,321	247,321
Transfer to share capital and share premium account upon conversion to ordinary shares	36(b)	(172)	–	(172)
Redemption		(86)	–	(86)
At 31 December 2014, 1 January 2015 and 31 December 2015		–	247,321	247,321

* The net liability component at the issuance date was HK$368,965,000, which was net of direct transaction costs of HK$4,768,000 and exchange difference of HK$7,142,000.

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33. GUARANTEED BONDS

On 12 November 2015, Profit Fast Limited ("Profit Fast"), a wholly-owned subsidiary of the Company, issued 5.5% guaranteed bonds due 2018 (the "2018 Notes") in an aggregate principal amount of US$300,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Profit Fast under the subscription agreement for the issue of the 2018 Notes.

The 2018 Notes bear interest at a rate of 5.5% per annum, payable semi-annually in arrear on 19 May and 19 November in each year, commencing on 19 May 2016.

The 2018 Notes are subject to redemption by the Group, in whole but not in part, at a redemption amount equal to the Make-Whole Price (as defined in the terms and conditions of the 2018 Notes). The 2018 Notes also contain a provision for redemption at the option of the holders of the 2018 Notes at 101% of the principal amount, together with interest accrued to the date of redemption, upon a change of control (as defined in terms and conditions of the 2018 Notes) with respect to the Company. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements.

Further details of the 2018 Notes are set out in the Company's announcement dated 13 November 2015.

34. DEFINED BENEFIT PLANS

Certain employees of Holiday Inn BJ, an indirectly-held wholly-owned subsidiary of the Company, can enjoy retirement benefits after retirement pursuant to certain of its defined benefit plans. The plans are exposed to interest rate risk and the risk of changes in the life expectancy of the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement benefits	
	2015	2014*
	HK$'000	HK$'000
Current service cost	**419**	415
Past service cost – plan amendments	**(210)**	–
Interest cost	**605**	630
Net benefit expenses	**814**	1,045

* The supplemental post-retirement benefits for the year ended 31 December 2014 were from 7 August 2014 (date of acquisition of Holiday Inn BJ) to 31 December 2014.

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34. DEFINED BENEFIT PLANS (Continued)

(b) Present value of the defined benefit obligations

	Supplemental post-retirement benefits	
	2015	2014
	HK$'000	HK$'000
At 1 January	**15,514**	–
Acquisition of a subsidiary (note 39)	**–**	12,639
Net benefit expenses recognised in profit or loss	**814**	1,045
Benefit paid	**(419)**	(403)
Actuarial losses on obligations recognised in other comprehensive income	**1,909**	2,316
Exchange realignment	**(708)**	(83)
At 31 December	**17,110**	15,514
Portion classified as current liabilities, included in other payables and accruals (note 28)	**(501)**	(425)
Non-current portion	**16,609**	15,089

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at 31 December 2015 and 2014 by Towers Watson & Co., using the projected unit credit actuarial cost method. The material actuarial assumptions used in determining the defined benefit obligations for the Group's plans are as follows:

	2015	2014
Discount rate	**3.25%**	4%

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34. DEFINED BENEFIT PLANS (Continued)

(c) Principal assumptions (Continued)

A quantitative sensitivity analysis for discount rate as at 31 December 2015 is shown below:

	Increase in rate %	Decrease in net defined benefits obligations HK$'000	Decrease in rate %	Increase in net defined benefits obligations HK$'000
Current service cost	0.25	(644)	0.25	600

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

At 31 December 2015, the expected contribution to be made within the next 12 months out of the defined benefit obligations was HK$1,050,000 (2014: HK$1,037,000).

35. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities and their movements during the year are as follows:

		Attributable to			
	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2014		44,139	306,342	–	350,481
Acquisition of subsidiaries	39	188,163	174,007	–	362,170
Net deferred tax charged/(credited) to profit or loss during the year	11	(2,989)	89,645	–	86,656
Exchange realignment		(1,783)	(8,312)	–	(10,095)
At 31 December 2014 and 1 January 2015		227,530	561,682	–	789,212
Net deferred tax charged/(credited) to profit or loss during the year	11	–	34,305	(2,625)	31,680
Disposal of subsidiaries	40	(39,408)	(69,033)	–	(108,441)
Exchange realignment		–	(29,889)	–	(29,889)
At 31 December 2015		188,122	497,065	(2,625)	682,562

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35. DEFERRED TAX LIABILITIES (Continued)

Notes:

(a) At 31 December 2015, deferred tax assets have not been recognised in respect of unused tax losses of HK$144,726,000 (2014: HK$166,420,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$130,596,000 (2014: HK$152,290,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2014: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$9,337,000 (2014: HK$6,507,000) in aggregate as at 31 December 2015.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2014: Nil).

36. SHARE CAPITAL

Shares

	2015 **HK$'000**	2014 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,766,587,849 (2014: 6,750,587,849) ordinary shares of HK$0.10 each	**676,659**	675,059

NOTES TO FINANCIAL STATEMENTS

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36. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the movements of the Company's issued capital and share premium account during the years ended 31 December 2015 and 2014 is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014		6,243,121,654	624,312	1,400,021	2,024,333
Share options exercised	(a)	18,300,000	1,830	10,641	12,471
Issue of shares upon conversion of the Placing Convertible Bonds	(b)	2,000,000	200	1,204	1,404
Issue of shares upon acquisitions of receivables	(c), (d)	487,166,195	48,717	283,007	331,724
At 31 December 2014 and 1 January 2015		6,750,587,849	675,059	1,694,873	2,369,932
Share options exercised	(a)	16,000,000	1,600	10,229	11,829
At 31 December 2015		6,766,587,849	676,659	1,705,102	2,381,761

Notes:

(a) The subscription rights attaching to 5,000,000, 6,000,000 and 5,000,000 (2014: 8,300,000, 6,000,000 and 4,000,000) share options were exercised at the subscription prices of HK$0.465, HK$0.41 and HK$0.574 (2014: HK$0.465, HK$0.41 and HK$0.574) per share, respectively, for a total cash consideration, before expenses, of HK$7,818,000 (2014: HK$8,489,000). The issued capital and share premium account were increased by HK$1,600,000 (2014: HK$1,830,000) and HK$6,218,000 (2014: HK$6,659,000), respectively. Also, an amount of HK$4,011,000 (2014: HK$3,982,000) was transferred from the share option reserve to the share premium account upon exercise of the share options.

(b) During the year ended 31 December 2014, the Placing Convertible Bonds with an aggregate principal amount of HK$1,300,000 were converted by bondholders into 2,000,000 ordinary shares of the Company at the conversion price of HK$0.65 per share. The difference between the nominal value of the ordinary shares issued of HK$200,000 and the then aggregate carrying amount of the liability and equity components of the Placing Convertible Bonds at the dates of conversions of HK$1,404,000, amounting to HK$1,204,000, was transferred to the Company's share premium account.

(c) On 1 April 2014, the Company allotted and issued 433,199,610 new ordinary shares of the Company as the consideration for the acquisitions of receivables in an aggregate amount of HK$284,876,000 to Beijing Holdings Limited ("BHL"), a fellow subsidiary of the Company. Further details of the transactions are set out in the Company's announcements dated 24 January 2014, 14 February 2014 and 1 April 2014, and circular dated 6 March 2014.

(d) On 30 May 2014, the Company allotted and issued 53,966,585 new ordinary shares of the Company as part of the consideration for the acquisition of a receivable from a subsidiary of BHL with a principal amount of HK$46,848,000. Further details of the transaction are set out in the Company's announcements dated 8 April 2014 and 30 May 2014, and circular dated 8 May 2014.

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36. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for ten years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

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37. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	Notes	2015 Weighted average exercise price (HK$ per share)	2015 Number of options '000	2014 Weighted average exercise price (HK$ per share)	2014 Number of options '000
At 1 January		**0.582**	**894,313**	0.469	682,613
Granted during the year	(a)	**0.720**	**84,000**	0.907	230,000
Exercised during the year	36(a)	**0.489**	**(16,000)**	0.464	(18,300)
At 31 December		**0.596**	**962,313**	0.582	894,313

Notes:

(a) The share options were granted on 8 April 2015 (2014: 31 March 2014 and 28 August 2014) and were all vested immediately on the date of grant. The fair values of the options were determined at the respective dates of grant using a binomial model and ranged from HK$0.2309 to HK$0.2581 (2014: from HK$0.2381 to HK$0.4381) per option. The following table lists the inputs to the model used:

	Date of grant		
	8 April 2015	28 August 2014	31 March 2014
Grant date share price	HK$0.72	HK$0.74	HK$0.92
Exercise price	HK$0.72	HK$0.75	HK$0.94
Option life	10 years	10 years	10 years
Expected volatility	50.125%	51.073%	39.393%
Dividend yield	0%	0%	0%
Risk-free interest rate	1.414%	1.869%	2.256%

The fair values of the options have been arrived at on the basis of a valuation carried out by Asset Appraisal Limited (2014: Asset Appraisal Limited), independent qualified professional valuers, on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business of logistics and property development as of the valuation dates and reflected the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised an aggregate equity-settled share option expense of HK$20,242,000 (2014: HK$66,848,000) in profit or loss during the year.

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37. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(b) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options outstanding			
2015	2014	Exercise price*	Exercise period**
'000	'000	(HK$ per share)	
189,000	194,000	0.465	28-10-2011 to 27-10-2021
289,313	294,313	0.410	1-6-2012 to 31-5-2022
170,000	176,000	0.574	24-5-2013 to 23-5-2023
190,000	190,000	0.940	31-3-2014 to 30-3-2024
40,000	40,000	0.750	28-8-2014 to 27-8-2024
84,000	–	0.720	8-4-2015 to 7-4-2025
962,313	894,313		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options have no vesting period.

(c) At 31 December 2015, the Company had 962,313,000 (2014: 894,313,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 962,313,000 (2014: 894,313,000) additional ordinary shares of the Company and additional share capital of HK$96,231,000 (2014: HK$89,431,000) and share premium of HK$476,932,000 (2014: HK$431,071,000) (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The share option reserve of the Group comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC reserve funds as at 31 December 2015 were distributable in the form of cash dividends.

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39. BUSINESS COMBINATIONS

Year ended 31 December 2015

During the year ended 31 December 2015, the Group had no business combination.

Year ended 31 December 2014

The aggregate fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2014 as at their respective dates of acquisition were as follows:

	Notes	TJ Zhongyu HK$'000 (note (a)(i))	Guangzhou Guangming HK$'000 (note (a)(ii))	Holiday Inn BJ HK$'000 (note (a)(iii))	Total HK$'000
Net assets acquired:					
Property, plant and equipment	13	161	168,031	714,110	882,302
Investment properties	14	80,229	1,602,965	–	1,683,194
Properties held for sale		–	101,451	–	101,451
Inventories		–	–	1,220	1,220
Trade receivables		–	7,731	1,974	9,705
Prepayments, deposits and other receivables		10,188	13,081	1,521	24,790
Due from holding company		–	48,606	–	48,606
Restricted cash		–	13,344	–	13,344
Cash and cash equivalents		63,403	23,951	120,778	208,132
Trade payables		–	(70,911)	(7,232)	(78,143)
Other payables and accruals		(13,446)	(402,064)	(17,374)	(432,884)
Due to shareholders		–	(3,123)	–	(3,123)
Income tax payables		–	(19)	(77)	(96)
Bank borrowings		–	(237,004)	–	(237,004)
Provision for compensation	31	–	(514,243)	–	(514,243)
Defined benefit plans	34(b)	–	–	(12,639)	(12,639)
Deferred tax liabilities	35	–	(193,380)	(168,790)	(362,170)
Total identifiable net assets at fair value		140,535	558,416	633,491	1,332,442
Non-controlling interests	(c)	(56,214)	(5,584)	(158,373)	(220,171)
		84,321	552,832	475,118	1,112,271
Goodwill on acquisition	16	18,738	–	44,031	62,769
Gain on bargain purchase of subsidiaries recognised in profit or loss	(d)	–	(58,876)	–	(58,876)
		103,059	493,956	519,149	1,116,164

NOTES TO FINANCIAL STATEMENTS

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39. BUSINESS COMBINATIONS (Continued)

Year ended 31 December 2014 (Continued)

	TJ Zhongyu HK$'000 (note (a)(i))	Guangzhou Guangming HK$'000 (note (a)(ii))	Holiday Inn BJ HK$'000 (note (a)(iii))	Total HK$'000
Satisfied by:				
Cash	103,059	47,221	519,149	669,429
Interest in a joint venture held prior to acquisition	–	446,735	–	446,735
	103,059	493,956	519,149	1,116,164
Revenue for the year since acquisition	–	23,495	43,925	67,420
Profit for the year since acquisition	7,090	6,978	3,604	17,672
An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:				
Cash consideration	(103,059)	(47,221)	(519,149)	(669,429)
Cash and bank balances acquired	63,403	37,295	120,778	221,476
Deposits paid for the acquisitions in the prior year	–	47,221	153,691	200,912
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	(39,656)	37,295	(244,680)	(247,041)
Transaction costs of the acquisition included in cash flows from operating activities	–	(785)	(957)	(1,742)
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	(39,656)	36,510	(245,637)	(248,783)

NOTES TO FINANCIAL STATEMENTS

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39. BUSINESS COMBINATIONS (Continued)

Year ended 31 December 2014 (Continued)

Notes:

(a) Business combinations during the year ended 31 December 2014 included the following transactions:

(i) On 13 May 2014, the Group acquired 60% equity interest in TJ Zhongyu through a capital contribution of RMB82,500,000 (equivalent to approximately HK$103,059,000) to TJ Zhongyu by the Group. During the year ended 31 December 2014, the investment properties of TJ Zhongyu was under construction and there was no turnover generated;

(ii) During the year ended 31 December 2014, the Group acquired an additional 19% equity interest in Guangzhou Guangming and obtained control over it after effecting amendments to the memorandum and articles of association of Guangzhou Guangming during the year. Since then, Guangzhou Guangming became a 99% owned subsidiary of the Group. Guangzhou Guangming is a company registered in the PRC and principally engaged in operating a shopping mall in Guangzhou, the PRC; and

(iii) On 7 August 2014, the Group acquired 75% equity interest in Holiday Inn BJ from a third party for a cash consideration of RMB415,620,300 (equivalent to approximately HK$526,232,000). Holiday Inn BJ is a company registered in the PRC and principally engaged in operating a hotel in Beijing, the PRC. The hotel operation includes renting out of guest rooms, operation of restaurants and retail shops, retail sales of alcohol and cigarettes, operation of gymnasiums and massage parlours.

(b) The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired during the years ended 31 December 2015 and 2014.

(c) In the opinion of the directors, the gains on bargain purchases of subsidiaries were resulted from the appreciation of the fair values of the underlying properties held by these subsidiaries between the date when the consideration was determined and the date of completion of the relevant transactions.

(d) For the year ended 31 December 2014, the aggregate fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables as at their respective dates of acquisition amounted to HK$9,705,000 and HK$24,790,000, respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be recovered.

(e) Had the above business combinations taken place at the beginning of 2014, the Group's revenue and profit for the year would have been HK$163,263,000 and HK$3,148,000, respectively, assuming there were no material differences in the fair values of the identifiable assets and liabilities of the subsidiaries acquired on 1 January 2014 and their respective actual acquisition dates.

NOTES TO FINANCIAL STATEMENTS

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40. DISPOSAL OF SUBSIDIARIES

The Group disposed of the entire equity interests it held in Zhijian Limited ("Zhijian") and Rayport during the year ended 31 December 2015, details of which are summarised as follows:

		2015			
	Notes	Zhijian HK$'000 (note (a))	Rayport HK$'000 (note (b))	Total HK$'000	2014 HK$'000
Net assets disposed of:					
Property, plant and equipment	13	13,802	–	13,802	–
Investment properties	14	345,760	–	345,760	–
Prepaid land lease payments	15	236,320	–	236,320	–
Goodwill	16	149,881	–	149,881	–
Available-for-sale equity investment		3,591	–	3,591	–
Trade receivables		170	–	170	–
Prepayments, deposits and other receivables		24,329	47,900	72,229	–
Due from related companies		3,801	–	3,801	–
Due from an associate		–	23,400	23,400	–
Cash and cash equivalents		31,502	23	31,525	–
Deferred tax liabilities	35	(108,441)	–	(108,441)	–
Trade payables		(331)	–	(331)	–
Accruals and other liabilities		(8,747)	(7)	(8,754)	–
Due to related companies		(9,001)	–	(9,001)	–
Other loans		(7,257)	–	(7,257)	–
Due to a fellow subsidiary		(360,672)	–	(360,672)	–
Due to an intermediate holding company		(62,768)	(23,400)	(86,168)	–
		251,939	47,916	299,855	–
Non-controlling interests		(18,320)	–	(18,320)	–
		233,619	47,916	281,535	–
Exchange fluctuation reserve realised		2,693	(350)	2,343	–
		236,312	47,566	283,878	–
Gain on disposal of subsidiaries recognised in profit or loss		144,630	57,611	202,241	–
Unrealised portion in respect of a disposal transaction with an associate		27,058	–	27,058	–
		408,000	105,177	513,177	–
Satisfied by:					
Cash		408,000	–	408,000	–
Available-for-sale equity investment		–	105,177	105,177	–
		408,000	105,177	513,177	–

NOTES TO FINANCIAL STATEMENTS

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40. DISPOSAL OF SUBSIDIARIES (Continued)

Notes:

(a) On 30 January 2015, the Group entered into a sales and purchase agreement with BE M&H, a then associate of the Group, pursuant to which, the Group agreed to sell and BE M&H agreed to acquire the entire issued capital of Zhijian at a cash consideration of HK$408,000,000. Zhijian and its subsidiaries are principally engaged in investment in and development of logistics properties and provision for logistics services for the Chaoyang Inland Port of Beijing, including leasing of warehouse facilities and provision of related management services. The transaction was completed on 28 May 2015.

(b) Details of the disposal of Rayport and its subsidiaries are set out in note 18(ii) to the financial statements.

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the disposal of Rayport and its subsidiaries in exchange for Haikou Buyer's shares as disclosed in notes 18(ii) and 40 to the financial statements, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2015 and 2014.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Guarantee given to banks in connection with mortgage facilities granted to certain purchasers of properties developed by the Group	**22,793**	42,000

NOTES TO FINANCIAL STATEMENTS

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43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its completed investment properties (note 14) under operating lease arrangements, with the leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**178,428**	211,528
In the second to fifth years, inclusive	**272,050**	379,216
After five years	**131,923**	152,198
	582,401	742,942

(b) As lessee

The Group leases certain of its office properties and staff quarters (2014: office properties) under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2014: one to ten years).

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**1,192**	495
In the second to fifth years, inclusive	**–**	2,458
	1,192	2,953

NOTES TO FINANCIAL STATEMENTS

31 December 2015

44. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Acquisition of businesses	**616,265**	–
Acquisition of a joint venture	**–**	137,260
Capital contribution to a joint venture (note a)	**–**	1,423,974
Construction of logistic facilities	**499,227**	228,786
Total capital commitments	**1,115,492**	1,790,020

Notes:

(a) The capital contribution to a joint venture was rescinded by the joint venturers during the year.

(b) In addition, the Group's share of a joint venture's own capital commitments, which were contracted but not provided for and are not included in the above, amounted to HK$26,106,000 (2014: HK$35,890,000) as at 31 December 2015.

45. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2015 HK$'000	2014 HK$'000
Rental income received from:	(i)		
– an associate of the ultimate holding company#		**1,397**	3,445
– a non-controlling equity holder of a subsidiary and its subsidiaries#		**1,161**	1,274
Interest income, net of business tax, received or receivable from a joint venture	(ii)	**10,927**	18,751
Rental expense paid or payable to a fellow subsidiary#	(iii)	**–**	1,814
Management fee paid or payable to a subsidiary of a non-controlling equity holder of a subsidiary#	(iv)	**1,285**	474
Key management personnel service fees paid to a company	(v)	**8,560**	3,874
Proceeds received from an associate for disposal of a subsidiary	(vi)	**408,000**	–

These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

45. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) The rental income related to the leases of a warehouse, a platform office and an office by the Group to an associate of the ultimate holding company of the Company for its business activities. The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. Further details of those transactions are set out in the Company's announcement dated 31 December 2012.

(ii) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreement was entered into. Further details of this transaction are set out in the Company's announcement dated 17 April 2012.

(iv) The management fee was determined by reference to the property management market rate for the properties of comparable size, location and facilities at the time when the property management agreements were entered into.

(v) The management fee was paid for the management and administrative services provided by a hotel management company in respect of the Group's hotel operation. The management fee was charged pursuant to the terms in the agreement signed between a wholly-owned subsidiary of the Group and the hotel management company on 14 June 1988, 31 May 1991, 21 July 2003 and 18 August 2005.

(vi) The transaction is related to the disposal of a subsidiary, Zhijian, and its subsidiaries, to BE M&H, on 29 May 2015 for a cash consideration of HK$408,000,000. The associate was subsequently disposed of during the year.

(vii) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and Beijing Enterprises Group Finance Co., Ltd. ("BG Finance") on 29 June 2015, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of Beijing Enterprises Group acts as a platform for members of Beijing Enterprises Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall commence on the date of the Deposit Agreement and continue up to and including 31 December 2017. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK$250,000,000. Further details of the Deposit Agreement are set out in the Company's announcement dated 29 June 2015.

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to approximately RMB200,800,000 (equivalent to approximately HK$247,700,000).

Save as disclosed above and the balances detailed in notes 17, 18 and 25 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

45. RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

(c) Compensation of key management personnel of the Group:

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**12,279**	9,413
Equity-settled share option expense	**13,660**	16,330
Pension scheme contributions	**780**	553
Total compensation paid to key management personnel	**26,719**	26,296

Further details of directors' emoluments are included in note 9 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

Except for available-for-sale equity investments held by the Group being classified as available-for-sale equity investments as further detailed in note 19 to the financial statements, all financial assets and liabilities of the Group as at 31 December 2015 and 2014 were loans and receivables and financial liabilities stated at amortised cost, respectively.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are calculated at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

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31 December 2015

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

As disclosed in note 19 to the financial statements, listed equity investments are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy). Therefore, no additional disclosure of the fair values of these financial instruments is made.

As disclosed in note 19 and 20 to the financial statements, the unlisted equity investment and the deposits paid for acquisitions of businesses and an interest in a joint venture are, in the opinion of the directors, related to unlisted equity investments, and are stated at cost less any accumulated impairment losses because their fair values cannot be reasonably assessed. Therefore, no disclosure of the fair values of these financial instruments is made.

For the liability component of the convertible bonds, in the opinion of the directors, since the carrying amount is not significantly different from the fair value, no disclosure of the fair value of the financial instrument is made.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liabilities was assessed to be insignificant.

	Carrying amount		**Fair value**	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Non-current financial asset:				
Prepayments, deposits and other receivables	**5,860**	47,934	**5,860**	47,934
Non-current financial liabilities:				
Due to related companies	**32,160**	238,095	**31,982**	229,259
Bank and other borrowings	**224,322**	1,459,417	**267,427**	1,498,092
Guaranteed bonds	**2,258,365**	–	**2,331,391**	–
	2,514,847	1,697,512	**3,630,800**	1,727,351

NOTES TO FINANCIAL STATEMENTS

31 December 2015

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, balances with related companies, guaranteed bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2015, the Group's interest-bearing borrowings amounting to HK$1,793,589,000 (2014: HK$2,175,383,000) bore interest at floating rates.

At 31 December 2015, it was estimated that a general decrease/increase of 100 basis points in interest rate of average balances of bank and other loans and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$17,957,000 (2014: HK$13,350,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Due to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint venture and associate is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translation risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that securities deposits equivalent to three months rental are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographic locations of warehouse portfolio.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from a joint venture and related parties, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings, convertible bonds, and guaranteed bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	No fixed term/ on demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years HK$'000	Total HK$'000
At 31 December 2015						
Trade payables	**134,880**	**6,270**	**–**	**–**	**–**	**141,150**
Other payables and accruals	**50,225**	**244,043**	**–**	**–**	**–**	**294,268**
Due to related companies	**30,406**	**597**	**597**	**597**	**597**	**32,794**
Bank loans	**–**	**1,867,099**	**59,498**	**68,335**	**184,728**	**2,167,660**
Convertible bonds	**–**	**23,418**	**23,404**	**23,411**	**587,970**	**658,203**
Guaranteed bonds	**–**	**127,917**	**127,877**	**2,459,987**	**–**	**2,715,781**
Guarantee given to a bank in connection with mortgage facilities granted to certain purchaser of properties developed in prior years	**22,793**	**–**	**–**	**–**	**–**	**22,793**
	238,304	**2,267,344**	**211,376**	**2,542,380**	**773,295**	**6,032,649**
At 31 December 2014						
Trade payables	65,468	7,647	–	–	–	73,115
Other payables and accruals	25,476	166,820	–	–	–	192,296
Due to a joint venture	4,163	–	–	–	–	4,163
Due to related companies	10,715	625	205,852	625	1,249	219,066
Bank loans	–	851,318	1,437,787	19,967	116,315	2,425,387
Other loans	7,256	–	–	–	–	7,256
Convertible bonds	–	52,609	58,495	65,058	572,396	748,558
Guarantee given to a bank in connection with mortgage facilities granted to certain purchaser of properties developed in prior years	42,000	–	–	–	–	42,000
	155,078	1,079,019	1,702,134	85,650	689,960	3,711,841

NOTES TO FINANCIAL STATEMENTS

31 December 2015

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank and other borrowings, redeemable and convertible equity instrument, the liability component of the convertible bonds, guaranteed bonds and a loan from a fellow subsidiary. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Total borrowings	**5,313,393**	3,539,135
Total assets	**11,466,544**	9,555,333
Gearing ratio	**46%**	37%

49. EVENT AFTER THE REPORTING PERIOD

On 27 November 2015, the Group entered into an agreement with an independent third party to acquire Vision Crystal Limited which held 80% equity interests in Qingdao Jingchangshun Food Co., Ltd, at a consideration of RMB40,000,000. This project is engaged in operation of cold logistics storage facilities in Chengyang district of Qingdao, the PRC. The cold warehouse covers an area of approximately 6,785.84 square metres and can carry storage capacity of approximately 13,000 tonnes. The transaction was completed on 19 January 2016.

Since the above transaction was effected shortly before the date of approval of these financial statements, the Group is not yet in a position to disclose any financial impact of the transaction on the Group.

50. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**84**	71
Investments in subsidiaries	**2,653,243**	2,711,029
Deposit paid for acquisition of a business	**–**	138,601
Deposit paid for acquisition of an investment property	**11,932**	–
Available-for-sale equity investments	**116,369**	–
Total non-current assets	**2,781,628**	2,849,701
CURRENT ASSETS		
Due from subsidiaries	**932,707**	874,626
Prepayments, deposits and other receivables	**140,447**	888
Cash and cash equivalents	**1,460,800**	12,567
Total current assets	**2,533,954**	888,081
CURRENT LIABILITIES		
Due to the immediate holding company	**34**	2,116
Due to subsidiaries	**1,396,546**	299
Other payables and accruals	**50,592**	24,661
Bank borrowings	**293,762**	30,000
Total current liabilities	**1,740,934**	57,076
NET CURRENT ASSETS	**793,020**	831,005
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,574,648**	3,680,706
NON-CURRENT LIABILITIES		
Bank borrowings	**–**	45,000
Convertible bonds	**413,074**	391,219
Total non-current liabilities	**413,074**	436,219
Net assets	**3,161,574**	3,244,487
EQUITY		
Issued capital	**676,659**	675,059
Reserves (note)	**2,484,915**	2,569,428
Total equity	**3,161,574**	3,244,487

Qian Xu
Director

Siu Kin Wai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2015

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000 (note 37)	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000 (note 32)	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014		1,400,021	423,880	115,318	258	146,781	33,467	2,119,725
Loss for the year		–	–	–	–	–	(101,255)	(101,255)
Other comprehensive loss for the year								
– Exchange differences on translation		–	–	–	–	(53,909)	–	(53,909)
Total comprehensive loss for the year		–	–	–	–	(53,909)	(101,255)	(155,164)
Issue of shares upon exercise of share options	36(a)	10,641	–	(3,982)	–	–	–	6,659
Issue of shares upon conversion of convertible bonds	32, 36(b)	1,204	–	–	(172)	–	–	1,032
Issue of shares upon acquisition of receivables	36(c), (d)	283,007	–	–	–	–	–	283,007
Equity-settled share option arrangements	37(a)	–	–	66,848	–	–	–	66,848
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	32	–	–	–	(86)	–	86	–
Issue of convertible bonds	32	–	–	–	247,321	–	–	247,321
At 31 December 2014 and 1 January 2015		1,694,873	423,880	178,184	247,321	92,872	(67,702)	2,569,428
Loss for the year		–	–	–	–	–	(22,839)	(22,839)
Other comprehensive loss for the year								
– Exchange differences on translation		–	–	–	–	(88,134)	–	(88,134)
Total comprehensive loss for the year		–	–	–	–	(88,134)	(22,839)	(110,973)
Issue of shares upon exercise of share options	36(a)	10,229	–	(4,011)	–	–	–	6,218
Equity-settled share option arrangements	37(a)	–	–	20,242	–	–	–	20,242
At 31 December 2015		1,705,102	423,880	194,415	247,321	4,738	(90,541)	2,484,915

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 and Level 1 and 2 on No. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC	Warehouse	Medium term lease	100%
Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC	Warehouse	Medium term lease	70%
Metro Mall No. 63 Xihu Road Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
Investment properties under construction			
Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC	Warehouse	Medium term lease	70%
Marine Economic Area, Binhai New Area, Hangu District, Tianjin City, the PRC	Logistics	Medium term lease	60%
Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics	Medium term lease	100%
Section No.2014-1, Jiang Ja Shan Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics	Medium term lease	100%

* The sixth floor of Metro Mall was classified as properties held for sale as at 31 December 2015 (note 21).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS					
Revenue	**296,572**	202,983	35,848	11,007	1,540,538
Profit/(loss) before tax from continuing operations	**322,701**	298,209	776,031	(113,395)	510,259
Income tax	**(67,118)**	(107,199)	(53,228)	(632)	(250,785)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**255,583**	191,010	722,803	(114,027)	259,474
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	–	5,674	(1,384)
Profit/(loss) for the year	**255,583**	191,010	722,803	(108,353)	258,090
Attributable to:					
Shareholders of the Company	**258,454**	166,876	700,962	(97,769)	114,594
Non-controlling interests	**(2,871)**	24,134	21,841	(10,584)	143,496
	255,583	191,010	722,803	(108,353)	258,090

ASSETS, LIABILITIES AND TOTAL EQUITY

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Total assets	**11,466,544**	9,555,333	5,448,227	3,092,269	4,212,155
Total liabilities	**(7,005,860)**	(5,243,365)	(1,950,795)	(1,950,857)	(2,786,838)
NET ASSETS	**4,460,684**	4,311,968	3,497,432	1,141,412	1,425,317
Attributable to:					
Shareholders of the Company	**4,220,420**	4,161,837	3,430,199	1,156,867	1,226,589
Non-controlling interests	**240,264**	150,131	67,233	(15,455)	198,728
TOTAL EQUITY	**4,460,684**	4,311,968	3,497,432	1,141,412	1,425,317